

War Costs and High Living Erode the 'Saudi Dream' \$121 Billion Swings Gone in a Decade, And Government Now Borrows Abroad

The following article is based on reporting by Stephen Engelberg, Jeff Gresh and Tim Weiner and was written by Mr. Gresh.

WASHINGTON — Saudi Arabia, long seen as one of the world's wealthiest countries, has undermined its financial stability with a decade of unrestrained spending, huge military purchases and irregular banking practices.

The \$121 billion in financial reserves amassed by Saudi Arabia less than a decade ago have almost vanished, drained by expenditures for weapons, social programs, foreign aid and the Gulf War.

The spending has far outstripped the tens of billions of dollars earned annually from the largest oil fields in the world, which the state owns.

Saudi Arabia began to feel the pinch in the mid-1980s, when oil prices fell sharply. Since 1983, the Saudis have racked up 10 consecutive years of budget deficits.

In 1992, according to the U.S. Department of Commerce, the deficit represented 9.2 percent of Saudi Arabia's gross domestic product, nearly twice the comparable U.S. figure.

As the Saudis have forged ahead with ambitious plans to build a well-armed modern state, they have spent their national savings, and now are beginning to buy on credit.

"The Saudis have been drawing down reserves for 10 years," a U.S. official said. "They're a mere shadow of their former selves."

With plenty of oil and relatively little foreign debt, the Saudis contend that they have financial prospects far better than those of most developing countries.

Evidence of the Saudis' financial straits was supplied by Saudi business people and officials, U.S. foreign-policy and financial officials, Saudi documents and independent analysts in the United States, Europe and the Middle East.

These are among the troubles: Strains on the banking system, including

billions of dollars in uncollected loans to members of the Saudi royal family, the indictment in the United States of the head of the largest Saudi bank and sudden demands from the Saudi government to borrow money. Saudi banks took on a threefold increase of government debt from 1989 to mid-1992.

Requests for billions of dollars in loans and credit guarantees from the West. Anxiety among international institutions, including the Bank of England and the International Monetary Fund. The staff of the monetary fund, in a secret report in 1992 on the Saudi economy, expressed concern about the country's budget deficits, which it said were fueled last year by military spending and a reluctance to trim social programs.

Until now, the Saudis have used their riches to buy security at home and abroad. The estimated 10 million citizens of Saudi Arabia pay virtually no taxes and enjoy an elaborate array of benefits, from education to health care.

In the region, the Saudis have spent tens of billions of dollars to buy off potential enemies, from Iraq to Jordan to the Palestine Liberation Organization.

The Saudi ruler, King Fahd, keeps rivalries in check by allowing the kingdom's 400 princes easy access to the banking system, government subsidies and secret commissions on weapons deals, according to officials and business people.

Saudi officials have in recent months informed their U.S. counterparts of a fundamental decision: They intend to put the purchases of weapons first, and cut Saudi citizens' subsidies where necessary. But independent analysts, including the IMF officials, have raised questions about whether the Saudis had the political will.

The most recent IMF staff report on Saudi Arabia noted that the Saudis intended to continue payments to their neighbors in the Middle East. It quoted Saudi officials as saying that "political and social considerations precluded a reduction in subsidies or increases in fees and charges" to its citizens.

Although the report commended the Saudis for planning to make budget cuts, it said the cuts would not stop the Saudis' trade and budget deficits from deepening by billions of dollars over the next five years.

"Such developments would be unsustainable and could cause damage to the economy," the IMF report read. "There's a whole lot of things they can do that will let them slide for the next two to three years," said Patrick L. Clawson, a senior fellow at the National Defense University and former IMF spokesman. "But their underlying structural problems are enormous."

Saudi Arabia has a "one-crop" economy that underwrote a welfare state. The pace of that crop, oil, collapsed in the 1980s, and today stands significantly lower than in the boom years.

Saudi Arabia's treasury began to reap the benefits from the pools of oil first discovered in



RELAYING THEIR JOY — The U.S. 400-meter relay team striking a jubilant pose after winning the gold medal on the last day of the World Athletics Championships in Stuttgart. Later, another American team set a world record in the men's 1,600-meter relay. Page 15.

Russia Delays Pullout From Lithuania and Halts Talks

It Renounces Deadline Of Aug. 31 and Warns Against 'Provocations'

By Fred Hiatt Washington Post Service

MOSCOW — Russia said Sunday it was renouncing a commitment to withdraw all troops from Lithuania by Aug. 31, and it broke off talks with Lithuanians on the subject, according to a Foreign Ministry statement.

The statement and the subsequent cancellation of a meeting Monday between the two nations' presidents brought relations to their lowest point since the breakup of the Soviet Union in 1991.

The assertive tone by Moscow also reflected a growing inclination to claim special rights in former Soviet republics as part of Russia's "sphere of interest."

Because only about 2,500 troops remain in Lithuania, the practical significance of the Russian action is uncertain. In the past, troop withdrawals from that Baltic state and from its two neighbors, Estonia and Latvia, have proceeded despite statements from Moscow that they would be suspended.

But the developments are likely to set off alarm not only in Lithuania but also in Estonia and Latvia, where larger numbers of Russian troops remain.

The Lithuanian chargé d'affaires in Moscow, Richardus Degutis, said in a telephone interview Sunday night that the Russian action was "extremely troubling."

"The illegal presence of Russian troops on Lithuanian territory causes great anxiety," he said. "We continue to hope that Russia will fulfill its international responsibilities and meet the schedule for all troop withdrawals."

Moscow said in its statement that it would respond "pragmatically, swiftly and with utmost decisiveness" to any "provocations or other ill-considered actions" against the Russian troops, their families or any other Russians living in the Baltic republic.

It said it would notify Lithuania once it had revised its troop withdrawal schedule.

The Lithuanian president, Algirdas Brazauskas, responded by canceling a visit to Moscow on Monday, a spokesman said. Mr. Brazauskas had been scheduled to meet with President Boris N. Yeltsin to discuss the troop pullout.

Since the three Baltic republics won their independence from the Soviet Union, withdrawal of Soviet — now Russian — troops has been perhaps their primary foreign policy goal. Soviet forces, considered "occupation troops" by the West and by the new Baltic governments, built hundreds of naval, anti-aircraft and other facilities in the three republics.

In late 1991, as the Soviet Union was collapsing, See BALTICS, Page 4

In America, It's a New Money Game

By Steven Pearlstein and Jerry Knight Washington Post Service

WASHINGTON — When Shirley Sandage of Frederick, Maryland, pulled the bulk of her six-figure retirement nest egg from Washington banks earlier this year and transferred it to a mutual fund company in Valley Forge, Pennsylvania, she joined a quiet revolution that is knocking banks from their once-dominant place in America's financial system.

"I want to retire, and I cannot retire unless I get more income," said Ms. Sandage, a program manager for the National Organization on Disability, a Washington-based advocacy group. By putting her money in mutual funds that will invest it in stocks, bonds and a host of new financial securities, she expects to earn several times the 3 percent return now offered on bank certificates of deposits.

Ms. Sandage has abandoned the conventional banking system as a borrower as well as a depositor. The mortgage on her house is held by a Philadelphia insurance company. Her MasterCard comes from a Delaware "bank" that has no depositors and exists to issue credit cards.

And a final twist: The insurer and the credit card firm each get some of their capital assets, compared with about half at the beginning of the 1980s. Banks have seen their share of the credit market drop to 44 percent from 68 percent over the same period.

Several developments lie behind this shift of power and money. One is the rise of the mutual funds, which manage \$1.7 trillion and are growing at the rate of \$25 billion or more each month. At various times over the last two years, money market accounts — mutual funds that buy IOUs from blue-chip companies that need to borrow money for a few months — have had as much money in them as all the checking accounts in U.S. banks. Stock mutual funds, like those chosen by Ms. Sandage, account for 30 percent of the trading on the New York

See BANKS, Page 12

Central banks are having a hard time measuring money flows. Page 7.

Fahd Names Council As Forum for Debate

RIYADH — King Fahd has appointed 60 citizens to a consultative council, which has no power but is Saudi Arabia's first forum for public debate.

The council is seen as a step to broadening the government's base. Council members are religious leaders, government officials, businessmen and professionals. The radical opposition is not represented.

See SAUDI, Page 11



SOUTH AFRICAN VIOLENCE — A woman wept on learning that a relative was among the 12 blacks killed by gunmen in an outbreak of tribal violence near Johannesburg. Three persons were killed in a separate incident at a funeral in an ANC stronghold.

Kiosk Managua Hostages Caught in Gunfire

Leftist gunmen holding 35 hostages in Managua opened fire Sunday when journalists abruptly moved nearer the building they had occupied.

The police said the gunmen thought they were under attack. No one was wounded in the brief outbreak.

The kidnapping came in retaliation for the seizure by rightist contra rebels of 37 officials last week in northern Nicaragua.

Rebel groups from both the left and the right are rapidly creating a climate of violence that threatens to move upheaval in a nation that has survived more than a decade of civil war. (Page 4)

General News Kuwait seeks the release of 627 of its citizens it says are still held by Iraq. Q & A. Page 2. Israelis reacted frostily to a human rights report condemning young Palestinians' deaths at the hands of the army. Page 2. Bosnian Muslims are expected to rebuff Geneva plan on nation's partition. Page 4. A Japanese minister set off a battle by suggesting that the focus of a war museum be changed. Page 5.

Business/Finance Japan's trade minister said the country's surplus threatens the world economy. Page 7. Microsoft is the target of a second U.S. anti-trust inquiry. Page 11.

Bridge Book Review Page 4. Page 4.

Can a Week of Talks Cure What Ails Bonn and Paris?

By Brandon Mitchener International Herald Tribune

FRANKFURT — For Germany and France, once steady allies but lately given to trading barbs, this is supposed to be a busy week of reconciliation.

Trade friction will top the agenda Tuesday as Foreign Minister Klaus Kinkel meets his French counterpart, Alain Juppé, in Dresden, and the two nations' top agriculture officials talk in Paris.

On Thursday, Chancellor Helmut Kohl is to meet with Prime Minister Edouard Balladur in Bonn for talks on the speed of European union, while the Bundesbank's governing board is to discuss recent currency turmoil — and possibly a new cut in interest rates — in Frankfurt.

Both Germany and France sought to play down the significance of this week's meetings, especially the apparent coincidence of Mr. Kohl and Mr. Balladur meeting as the Bundesbank considers a rate cut.

"It's nothing special," said a German official, calling the meetings "routine."

But Europe and the world will be watching closely whether Germany and France, long the center around which the rest of the European Community has revolved in recent years, can settle their differences and help put the Continent's economic and political integration back on track.

Above all, they will be watching the Bundesbank, the scapegoat for much of Europe's troubles, for signs of good will on monetary matters.

"Mr. Kohl and Mr. Balladur want to signal understanding and cooperation to erase the image that German and France no longer get See EUROPE, Page 12

Killing Widens Algeria Rift

By Youssef M. Ibrahim New York Times Service

CAIRO — Gunmen killed former Prime Minister Kasdi Merbah of Algeria in an escalation of the war between the country's socialist society and Muslim fundamentalists who are trying to replace it with an Iranian-style Islamic republic.

The murder late Saturday of Mr. Merbah, 55, who has been known as a vehement opponent of Muslim fundamentalism, will deepen a rift in Algeria that since January 1992 has created a state of near-civil war. More than 1,200 people including civilians, police, soldiers and Muslim fundamentalists have died and several hundreds have been wounded in the conflict.

Mr. Merbah was a prominent member of the estimated 5-million-strong Algerian Berber community. His assassination came hours after the military-dominated five-man High State See ALGERIA, Page 2

India's National Airlines and Their Calamitous Tale

By Molly Moore Washington Post Service

NEW DELHI — For four decades, flying India's bumbling national airlines has been a traveler's nightmare of snarled ticket agents, overbooked flights and planes that routinely leave hours, if not days, after their scheduled departure time.

Enter the age of economic liberalization and the introduction of private airlines. See the smiling attendants. See the planes that don't leave passengers stewing in hot airports because their seats were given to government bureaucrats. Taste the free beer and champagne.

See the government-run airline squirm. Since January, Indian Airlines, the bloated national domestic carrier — often rated one of the worst in the world — has suffered a 46-day pilot strike, four hijackings and two crashes. Meanwhile, private airlines have been, losing away passengers by the thousands.

The sky wars between India's emerging private airlines and the government's longtime monopoly, which includes Air India, the international carrier, is the kind of fierce capitalist competition unseen in this country for 40 years.

The airline industry is one of the most potentially profitable of those catering to India's burgeoning middle class. Nonetheless, the battle over the nation's skies has become the most vivid example of the struggle the government faces in efforts to reform its timid, Soviet-inspired economy.

Although Prime Minister P.V. Narasimha Rao's senior administrators have mandated a new "open skies" policy, the bureaucracy has done everything in its power to thwart the new carriers. It forbids private companies to publish schedules, refuses to give them hangar space and ties up delivery of imported spare parts for weeks.

"The sky may be open, but the ground is not," said Sabu V. Chacko, regional manager for East West Airlines, the largest of the four major private airlines.

While Mr. Chacko and other airline officials spend hours in court and in the offices of stubborn bureaucrats, the promotion departments of the new airlines are talking the fight to the flying public.

They offer free beer and champagne to business-class fliers, food catered by some of the biggest hotel chains in India,

A Lost Day in Paradise

The Associated Press

KWAJALEIN, Marshall Islands — Talk about a lost weekend. The nearly 3,000 Americans living on this remote Pacific atoll have a good excuse for not remembering Saturday night: There wasn't one.

Residents went to bed Friday night and woke up Sunday morning. That was because at midnight Friday Kwajalein jumped from one side of the international date line to the other.

Aug. 21 didn't exist here. "It's a stealth day," said Roy Clemans, an army spokesman.

The Marshall Islands, a group of about a hundred islets of which Kwajalein is the largest, are west of the international date line. But Kwajalein had synchronized its day of the

week with the U.S. mainland, to the east, about 40 years ago when the U.S. Army established a missile test range here.

The Republic of the Marshall Islands requested the latest change so all its islets will be on the same side of the date line.

Kwajalein's work week will shift to Tuesday through Saturday, which is Monday through Friday in the United States. Church services will still be held on Sunday, which will seem like Saturday because it is the first weekend day off. Many people plan to use their Mondays to run errands the way most Americans do on Saturdays.

Confused? "It really kind of makes you daffy," said See WEEKEND, Page 4



# Q & A: The Kuwaiti Gulf War Victims Still Held in Iraq

Sheikh Salem as Sabah is the head of the Kuwaiti POW and Missing Persons in Iraq Committee and a member of Kuwait's ruling family. He has served in various high positions in Kuwait, including most recently the dual role of foreign minister and deputy prime minister. In London recently to begin a tour publicizing the plight of his countrymen still held prisoner in Iraq, he spoke with Erik Ipsen of the International Herald Tribune.

United Nations resolutions concerning prisoners of war and hostages are observed. Q. Is your government opposed to the lifting of economic sanctions against Iraq until your hostages have been released? A. Absolutely correct. Q. Are you disappointed that two and a half years after Saddam Hussein was thrown out of your country he is still in power in Baghdad? A. Yes, unfortunately we are dealing with him through the Arab League and the International Red Cross concerning our prisoners of war but we are getting no response whatsoever from Saddam's regime. He keeps denying that he has the prisoners.

A. We in Kuwait never entertained and welcomed the idea of a divided Iraq. On the contrary we should have a united Iraq, but under a different system of government. We want to see a constitutional system in Iraq instead of a one-man system. Q. So you do not see Saddam as essential to keeping Iraq together? A. No, on the contrary he is dividing Iraq. The Kurds are asking for independence. The south is asking for independence. It is the first time in history that we hear that the Iraqi people are asking independence from Baghdad.

Q. Islamic fundamentalist parties have gained a large number of seats in the parliament. Does that pose problems for Kuwaiti democracy? A. No, on the contrary this confirms that democracy is working in Kuwait. Q. You do not feel fundamentalism poses any threat, then? A. The Kuwaitis who are in parliament, they are religious persons like me. I pray. But that doesn't mean that I grow a beard. But even growing a beard doesn't mean that you are a fundamentalist fanatic at all. In Kuwait they are good Muslims, not fanatic ones.

Q. What is the status of the investigations into the billions of dollars missing from the Kuwait Investment Office? A. Both the government and the parliament have formed committees that have visited various offices and done their questioning. Now the matter is in the hands of the courts. Q. One of the KIO officials is walking in the streets of London. It is up to him to come back to Kuwait or not. The other one is living in the Bahamas and has stated that he is willing to cooperate if necessary. But let me tell you, although there are some Sabah names involved — some cousins of mine — we as the Sabah family are against any such thing taking place and are in favor of submitting them to the court and letting the court decide.

## German Opposition Rejects Coalition

BONN (Reuters) — The leader of the opposition Social Democratic Party rejected on Sunday the idea of a "grand coalition" with the Christian Democratic Union of Chancellor Helmut Kohl after elections next year. Speculation about the prospect has grown as support for both the center-left Social Democrats and Mr. Kohl's conservative party have slipped to around 33 percent in opinion polls. This suggests that neither party could plausibly govern without the other, a scenario that officials in both organizations say privately looks more and more likely. But Rudolf Scharping, the Social Democratic leader, who holds talks with Mr. Kohl on Monday, said he was not "aiming for any grand coalition. I'll do everything so that it doesn't come to that." His comments largely match Mr. Kohl's statements on the issue.

## Role for Khmer Rouge Left Open

PHNOM PENH (AP) — The Khmer Rouge can still have an advisory role in the government but must decide quickly to cooperate, the co-chairman of Cambodia's interim government said Sunday. The co-chairman, Prince Norodom Ranariddh, made the comments two days after government troops captured Phnom Chant, a major Khmer Rouge base in northwestern Banteay Meanchey Province. The prince repeated demands that the guerrillas halt attacks on the government and the territory they control, and added they must cooperate in the give up the territory they control, and added they must cooperate in the next few weeks before the new Cambodian government is formed. "We keep the door open to them," he said. "But the faction must not impose any conditions."

## Somali Blast Wounds 6 U.S. Soldiers

MOGADISHU (AP) — An explosion triggered by Somali militiamen destroyed a steel-reinforced truck in the middle of a U.S. convoy Sunday as it drove down one of the city's main streets. Six American soldiers were slightly injured. An American spokesman attributed the explosion to General Mohammed Farrah Aidid's forces. Five smaller explosions from either grenades or small mortars burst in front of the lead truck in the 22-truck convoy, and some vehicles came under small-arms fire, said a UN military spokesman. It was the third mine explosion aimed at U.S. forces since a similar device ripped apart a utility vehicle on Aug. 8, killing four American military policemen.

## U.S. Loses Signal From Mars Probe

PASADENA, California (AP) — Engineers lost contact with the Mars Observer spacecraft as it was about to reach its destination but the craft is expected to orbit Mars despite the problem, NASA said Sunday. The spacecraft failed to aim one of its antennas at Earth and re-established contact, said a spokesman for the National Aeronautics and Space Administration's Jet Propulsion Laboratory. Engineers radioed computerized commands every 20 minutes in an effort to get the unmanned craft to send back a signal, NASA said. They had lost touch with Mars Observer several times during its 11-month, 450-million-mile journey, but each time contact was restored.

## Brazil Raises Toll in Indian Massacre

BOA VISTA, Brazil (Reuters) — The Brazilian government raised the death toll Sunday in a gold miners' massacre of Yanomami Indians in the Amazon, saying a village of 77 Indians was almost completely wiped out. Officials of the government Indian agency said the massacre in Roraima state near the Venezuelan border was the worst in the known history of the Yanomami, a tribe untouched until recent years by Western civilization. The massacre occurred in the village of Hoxitima, where 77 Indians lived. Only four of them were known to have survived, officials said. The survivors said the Indians were killed by gold prospectors, who have tried to push Indians off land so that they can pan for gold in rivers. Survivors said the gold miners enticed the men out of the huts with food.

## Frang Seen in Central African Vote

BANGUI, Central African Republic (AP) — Thousands of people cast ballots Sunday in the Central African Republic amid charges of fraud and vote-rigging in the first free elections in 12 years. The country's military leader, General André Kolingba, faced seven other candidates in an effort to legitimize his rule. International observers said an unspecified number of people were found carrying between three and 10 voting cards, and were arrested at voting stations in the capital, Bangui. The observers said they did not know whether those arrested had already voted more than once. Central African Republic's lengthy transition to democracy has brought unprecedented hardship with cuts in Western aid, increased corruption and a collapse in the price of the chief export, uranium. A general strike begun by unpaid government workers has crippled the country since April, schools have been closed for the past three years and social services have collapsed.

## Nigerian Rebuffs Union on Handover

LAGOS (Reuters) — Nigeria's military government rejected on Sunday a demand by a trade union group that it hand over power to the president of the senate or form a new government. Information Minister Uche Chukwuemerie told a rally in the capital, Abuja, that the idea was unworkable, state radio reported. The country's military leader, General Ibrahim Babangida, had vowed to restore civilian government by Friday. Nigeria is certain to be engulfed by strikes and civil disobedience if General Babangida, in power since 1983, does not fulfill his pledge. Mr. Chukwuemerie said General Babangida was not an elected president and under the constitution only an elected president could hand over to the senate president.

## Surviving Twin Improves Slightly

PHILADELPHIA (UPI) — Doctors monitoring the condition of Angela Lakeburg, the surviving conjoined twin separated by surgery, said Sunday they will have a better idea of her long-term chances after 72 hours have passed. The 7-week-old girl remained in critical but stable condition at Children's Hospital. Doctors said her blood pressure and circulation were good, her lungs appeared to be improving and she was moving around. She is being watched for signs of infection or pneumonia. Angela and her sister, Amy, were born with a single heart and liver. A surgical team separated them Friday in an operation that killed Amy. Angela has been given a 1 percent chance of survival, but doctors said they would have a better idea of her chances Monday.

## TRAVEL UPDATE

The Swiss post office will issue a special stamp Sept. 7 to help raise funds to rebuild Lucerne's historic wooden bridge, which was destroyed by fire Wednesday. The stamp will show the 660-year-old covered Kapellbrücke, which spans the Reuss River in the city center. (Reuters) This Week's Holidays Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays: TUESDAY: Georgia, Liberia, Ukraine. WEDNESDAY: Uruguay. THURSDAY: Namibia. SATURDAY: Georgia, Hong Kong. Source: J.P. Morgan, Reuters.

## ALGERIA: Slaying Widens Rift

Continued from Page 1 Council dismissed Prime Minister Belaid Abdesslam, replacing him with Redha Malek, the foreign minister. That move signaled a further hardening of the ruling establishment's attitude in its fight against Muslim fundamentalists. The government annulled the results of parliamentary elections in 1990 in which a Muslim fundamentalist party appeared sure to have won a majority. Mr. Malek, 61, has served in Washington and Moscow as ambassador and played a role in the release of 52 Americans held hostage in Tehran by the Iranian government for 444 days in 1979 and 1980. His appointment was widely seen as signaling the government's resolve to ignore suggestions of a "dialogue" with fundamentalists. Mr. Malek has argued in a recently published book and in several articles for the separation of mosque and state, maintaining that allowing fundamentalists a share in power will retard the development of Algerian society and doom the country's troubled economy, in addition to severing ties to Western culture. As reported by the official Algerian press agency, APS, Mr. Merbah was slain in an ambush as he returned from a beach house. Killed with him were his son, brother, bodyguard and chauffeur. The attack continued a pattern of terror. In the last two months Algerian fundamentalists have murdered intellectuals and secularists in the presence of, or along with, members of their families. Since May, six intellectuals, mostly writers and advocates of secular society, have been killed. Several leading figures in the government, most notably the ruling council's strongman, Major General Khaled Nezzar, have been the targets of aborted assassination attempts during the past six months. At least a dozen journalists have been assassinated. Mr. Merbah, as a Berber, was part of a secularly oriented ethnic group. His violent death will deepen the enmity of the Berber community toward Muslim fundamentalists. It will add a new dimension to what has become a slow-burning civil war.



EGYPT CONDEMNS FOUR — Relatives of militants reacting to death sentences for murder and plotting to overthrow the state. One suspect is a fugitive.

## DUTY FREE ADVISORY

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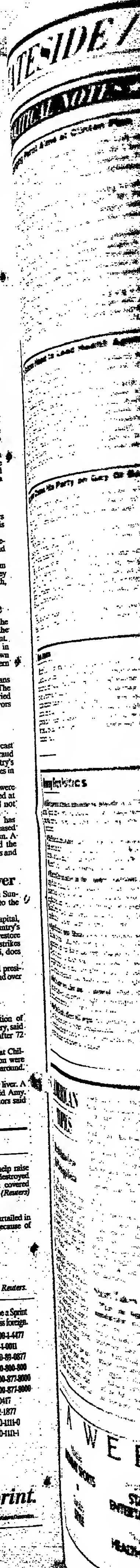
## Criticism of Army Prompts Frosty Response From Israelis

By David Hoffman Washington Post Service JERUSALEM — On the cover of the pamphlet is a simple drawing of a child, splattered with red. "Stop killing children," it says in bold type. Recently, the Israeli human rights group B'Tselem started distributing the pamphlets on street corners. In a society that prides itself on pampering children, the cover quickly caught the attention of passers-by. But when Israelis opened the Israeli Army to stop shooting Palestinian children. There were pictures of young Palestinian children who had been killed. Statistics showed more Palestinian children were killed by army fire in a recent six-month period than at any time since the beginning of the intifada, the Palestinian uprising in the occupied territories that began in 1987. In the past, reports by B'Tselem about human rights abuses in the Israeli-occupied West Bank and Gaza Strip have prompted lively debate as well as changes. But this time, B'Tselem provoked only hostile reactions. Some newspaper commentators said the rights group was trying to tarnish the army's reputation. Others said the group had overlooked the dangers posed to the soldiers by stone-throwing Palestinian protesters and accused B'Tselem of taking up the cause of the Palestinians. Others asked why B'Tselem had not emphasized the deaths of Jewish children. Members of parliament acknowledged that Palestinian children were being killed but said the deaths must have been accidental. On the street, the reaction seems to have been disbelief or indifference. "Are you aware of what you are saying?" Ovadia Eli, a Likud member of parliament, asked during a Knesset debate. "How is it possible to find fault in the soldiers?" Naemi Glezan, a member from the leftist Meretz bloc, said: "Killing children is not an intentional policy of the security forces or the government. But the bloodbath in the last five and a half years is horrifying." The casualty toll is not in dispute. Thirty-eight Palestinians aged 16 and under were killed by the Israeli forces in the six-month period from Dec. 9 to June 8 — twice as many, B'Tselem said, as were killed in the previous year. Eitan Felner, the organizer of the campaign, said B'Tselem never before had launched as broad a public campaign. The group's past reports have focused on such issues as torture, army undercover units, the demolition of Palestinian houses and the interrogation and detention of Arab prisoners. "We decided to adopt a new strategy," Mr. Felner said. "The killing of Palestinian children had become something the Israeli public accepted and said, 'There is nothing we can do.' People had learned to live with it."

CALLING ONE FOREIGN COUNTRY FROM ANOTHER IS NO SECRET WITH THESE SIMPLE ACCESS CODES

Table with columns for country codes and phone numbers. Includes countries like Canada, Chile, China, Colombia, Costa Rica, Cyprus, Denmark, Dominican Republic, Ecuador, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Kuwait, Liechtenstein, Luxembourg, Macao, Malaysia, Mexico, Monaco, Netherlands, New Zealand, Nicaragua, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Puerto Rico, San Marino, Singapore, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Thailand, Timor, Turkey, United Arab Emirates, United Kingdom, USA, US Virgin Islands, Uruguay, Vatican City, Venezuela, Venezuela-English, Venezuela-Spanish.

Sprint logo and text: Sprint. Includes a small graphic of a globe and the word 'Sprint' in a stylized font.





# STATESIDE / HOBNOBBING WITH BUBBA

## ★ POLITICAL NOTES ★

### Free-Swinging Perot Aims at Clinton Plan

TROY, New York — In his first speaking tour of New York state since becoming a political force, Ross Perot criticized the Clinton economic plan, called for rejection of the North American Free Trade Agreement and urged his supporters to make a difference in elections at all levels.

"In 1994, the entire House of Representatives is running for office and one-third of the Senate is running for office," Mr. Perot said. "You can be the swing vote across this country, every place in the country."

Mr. Perot, who finished third as an independent presidential candidate last year, said that voters should demand changes in the economic plan just passed by Congress last month by President Bill Clinton. The plan is intended to make budget reductions in the federal government by raising a variety of taxes and cutting spending on such programs as Medicare.

"Just make it clear that if they want you vote, they're going to have to give us an overhauled plan that balances the budget and pays down the debt, because it is wrong to leave our children this burden," Mr. Perot said. (NYT)

### Medical School Head to Lead Health Agency

WASHINGTON — Davidatcher, president of Meharry Medical College in Nashville, Tennessee, was named director of the Centers for Disease Control and Prevention.

The agency, headquartered in Atlanta, deals primarily with contagious diseases, such as tuberculosis, cancer, AIDS, occupational health and safety problems, and epidemic childhood diseases, through immunization campaigns and education of the public. The appointment does not require Senate confirmation.

Dr. Satcher, 52, has headed Meharry, one of four mainly black medical schools in the nation, for the past 11 years. Before that he was a professor and department chairman at Morehouse Medical College in Atlanta. (AP)

### Goldwater Chides His Party on Gay Bill

WASHINGTON — Former Senator Barry Goldwater, who for years was the conservative voice of the Republican Party, says it is "just plain dumb" for Republicans to oppose homosexuals in the armed forces.

"The Republican Party should stand for freedom, and only freedom," the former Arizona senator said in an interview with a national homosexual magazine, *The Advocate*.

Mr. Goldwater also said he had lost all respect for the religious right. "There is no place in this country for practicing religion in politics," he said. "That goes for Falwell, Robertson and all the rest of those political preachers." He was referring to the Reverend Jerry Falwell and the television evangelist and onetime presidential candidate Pat Robertson.

He said that television evangelists were "raising big money on God," and added: "I don't believe in that. It's not a very religious thing to do." (AP)

### Quote/Unquote

President Clinton on the health-care proposal: "Only the United States has 1,500 separate health insurance companies writing thousands of different policies, requiring millions of people to keep up with the paperwork in doctors' offices, in hospitals, in the insurance companies themselves. We're going to have one basic insurance form instead of thousands. We'll reduce nightmarish paperwork that now requires four times as many clerical workers to be hired as new health-care providers, just to keep up with the mountains of red tape." (AP)

### Away From Politics

- A Denver newspaper is publishing a "back-to-school" special, and 400 people responded. The "back-to-school" line was supposed to have been included in an ad for musical instruments.
- The Masters and Johnson Institute plans to open a 24-hour sex hot line, one of the founders of the Toronto Institute said. "We're going to try to get basic sex education to the public," said Dr. William Masters. "It's going to be a help, a tremendous service."
- More than 60 fishing boats bottled up the Valdez Narrows, preventing oil tankers from reaching the trans-Alaska pipeline terminal, to protest the new oil spill recovery effort. The blockade was aimed to emphasize weak recovery of oil spill in Prince William Sound. Some fishermen attribute their and a week run of barring this spring on the aftermath of the Exxon Valdez oil spill in 1989.
- A post office in Oglesby, Illinois, showing Indians with bare buttocks was returned to public view after more than 1,000 people signed petitions to get it back. Blinded had been placed in front of the 51-year-old painting of an Indian war, "Illini and Potawatomi Struggle at Starved Rock," in mid-June after a junior complained that it promoted homosexuality and violated his civil rights.
- Two U.S. soldiers were killed and 11 injured when their three tanklike vehicles — traveling abreast at night — plunged over a cliff during a training exercise at Fort Irwin, California.
- New York City police officers will begin this autumn to phase out their .38-caliber revolvers for 9-mm semiautomatic handguns. The move reflects a change of position for the department, which had resisted the quicker, more powerful weapons. (AP)

## Martha's Vineyard? Blasé? Not About First Vacationer

Compiled by Our Staff From Dispatches

EDGARTOWN, Massachusetts — Martha's Vineyard was supposed to be an island inhabited by people of power, privilege or prominence. A place where Jackie O — no full name needed — can shop for groceries undisturbed, without sunglasses. Forget all that talk about staid, understated Martha's Vineyard.

Islanders have been positively salivating over every detail of the Presidential Vacation. They are itching for invitations to invitation-only dinners with the nation's Top Tourist and buying up Clinton T-shirts in bulk.

"They are blasé," Harvey Ewing, a longtime islander, says of his fellow Vineyarders, as they are called. "But they are excited, too."

President Bill Clinton sparks pandemonium as crowds of Islanders and visitors trying to get a glimpse of him surge forward, forcing Secret Service agents to form

a protective ring around him at an agricultural fair. Hundreds of people, many of whom apparently waited hours to see him, create a nightmare for agents charged with protection.

Upon their arrival, Mr. Clinton and his daughter, Chelsea, take a look at an arts and crafts exhibit. As they emerge from the exhibition hall, Chelsea has a look of terror on her face when she sees the awaiting throng. Mr. Clinton, shaking hands with the well-wishers and signing autographs, seems unbothered by the commotion.

"We've had a lot of folks who are the power elite lurking about here for years, but there's something about the president of the United States that makes everyone stand up and notice," said Carl Buder, an innkeeper. "That's something that goes beyond just celebrity."

Gaggles of gawkers hang out on roadsides, hoping to catch a glimpse of the beige van that serves as the presidential

limousine. Hundreds lurk along the golf links where Mr. Clinton is rumored to be teeing off.

And then there are the parties.

Most year-round residents do not even hope for an invitation to one of the exclusive soirees where Mr. Clinton has been holding court.

"It is out of their realm," Mr. Ewing says matter-of-factly. "The parties are put on by what we call 'summer people,' by people of prominence."

That would be the subculture of media and power elite who descend seasonally — everyone from the columnist Art Buchwald to Katharine Graham, chairman of The Washington Post, to the author William Styron.

"There's a lot of jockeying among the rich and famous as to who's been invited and who hasn't," said Peggy Eastland, political writer for the Cape Cod Times.

Thursday was the big Clinton birthday

bash at the home of Vernon E. Jordan Jr., the presidential adviser. The biggest name on the guest list was Jacqueline Kennedy Onassis. She caused a minor stir by leaving the island earlier Thursday, but was back in time.

Friday night was the exclusive dinner given by Mrs. Graham. Her spokeswoman discreetly refused to make the guest list public, but names that leaked out included David McCullough, the Pulitzer Prize-winning author and the singer Carly Simon.

Saturday night, the party moved to the home of Lucy and Sheldon Jackson. She is a longtime friend of Hillary Rodham Clinton's, he is the incoming chairman of the National Endowment for the Humanities.

After a one-night respite on Sunday, Mr. Clinton was headed back to Mrs. Graham's for another affair on Monday, and rumored to be visiting Mrs. Onassis — perhaps on her yacht — on Tuesday.

Mr. Styron, one sought-after dinner

guest, admitted he was skipping some events and predicted that even the hardiest would start to poop out soon.

"I think he'll spend the rest of the week relaxing," Mr. Styron said of the president. "He's wonderfully relaxed and he's having a great time."

For those who have not had luck snagging a dinner invitation or even catching up with Mr. Clinton on a street corner, all is not lost. There are other means of communication.

A local radio station is running taped messages from townspeople, and cable TV is scrolling through written messages from all comers.

Given Mr. Clinton's penchant for channel-surfing, that just may hold the best promise for a response.

"You want to come fishing with me and my father on Thursday?" wrote one hopeful islander. (AP, Reuters)



Mr. Clinton teeing off for a round of golf at the Farm Neck Country Club on Martha's Vineyard.

## 96 Years Later, N.Y. Museum Sends Eskimo Bones for Burial

By Michael T. Kaufman

New York Times Service

NEW YORK — Six weeks ago employees of the American Museum of Natural History packed four skeletons into separate boxes and shipped them to Greenland.

The boxes contained the remains of Eskimos who had been brought to the museum in 1896 by Robert E. Peary to be interviewed, examined and measured. Their return for a traditional burial in the Arctic permafrost brings to a close a tragic and shameful tale of aboriginal people victimized by scientific zeal.

It is a story of human beings brought to New York as specimens, who with no natural immunity quickly succumbed to diseases of that latitude. It is also a story about the one who survived, a boy named Minik, who grew up in the Bronx, enrolled at Manhattan College and fruitlessly challenged the museum, its directors and the lionized discoverer of the North Pole, demanding his father's body so he could bury it.

Admiral Peary brought back six — four men and two women — exhibiting them to paying customers aboard his ship. Hope, before taking them from dockside to be housed at the museum.

On Oct. 11, 1897, *The New York Times*, with patronizing contempt, reported, "The unfortunate little savages have caught cold or warmth, they do not know which, but assuming it was the latter their sole endeavor yesterday was to keep cool. Their efforts in this direction were a source of amusement to several scores of visitors."

The following February, Qisuk, Minik's father, died of tuberculosis at Bellevue Hospital. The others, who were coughing blood, were sent by the museum to an upstate farm. Three more soon died and the last adult, Uisakassak, was sent back to Greenland. Only Minik, who was perhaps 6 or 7, was left alive in New York.

The museum officials gave the boy to William Wallace, the superintendent of the museum's building. It was a strange choice. For one thing, according to "The Noose of Laurels" (Atheneum, 1989), a book about Admiral Peary's race for the pole by the Arctic historian Wally Herbert, it was Mr. Wallace who processed and leached the bones of Qisuk and the others in a macerating plant he ran in Cobleskill, before returning them to the museum. Mr. Wallace was a shady character who was taking kickbacks from contractors, an offense for which he was soon to be dismissed.

The patricians who ran the museum, men like Morris K. Jesup, a philanthropist and a founder of the YMCA, surely had the resources to provide the orphan with the most expensive care and education. But these people were also the chief sponsors of Admiral Peary's na-

tionally tinged quest to become the first man to stand on the top of the world.

They may well have thought that by turning the boy over to someone believed to be a trusted employee they were shielding the explorer from potentially damaging questions about his role in bringing Eskimos to New York to die.

Mr. Wallace and his wife, Rheta, grew genuinely fond of Minik, raising him along with their own son in an apartment on West Tremont Avenue.

In the most detailed study of the case, a Canadian book called "Give Me My Father's Body, the Life of Minik, the New York Eskimo," Kenn Harper, an amateur historian who lives in Frobisher Bay, Northwest Territories, wrote of Minik's attending public school and Sunday school and calling himself Mene Peary Wallace.

The boy, who returned to the Arctic for a few years as an adult, died in New Hampshire in 1918 of influenza at age 28.

As to why the bones had been placed in drawers to be kept for almost a century, the 48-year-old scientist commented, "It was a different world, a world of very different sensibilities."

Franz Boaz, one of the founding fathers of anthropology, was at the museum and eager for data when

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## Rodney King Faces a New Charge

Los Angeles Times Service

LOS ANGELES — Rodney G. King, whose videotaped beating by police officers in Los Angeles generated a national furor and ultimately triggered riots there, was arrested on suspicion of drunken driving after his car crashed into a wall.

The police said Mr. King's blood-alcohol level was more than twice the legal limit when the acci-

dent occurred at 1:40 A.M. Saturday, near downtown Los Angeles.

He was taken into custody without incident. It was his fourth arrest since the internationally televised 1991 videotaped beating.

Mr. King was charged with misdemeanor drunken driving and released about three hours later without bail. He was hooked on misdemeanor rather than felony drunken driving, a spokesman said, because there were no injuries and

no other vehicles were involved in the incident.

While the police said that Mr. King's arrest did not receive any special handling, they acknowledged that department supervisors quickly went to the scene when they learned whom they were dealing with.

Police officers found Mr. King sitting behind the wheel of his car, which had crashed into a high wall. No alcohol was found in the car. Officers gave Mr. King a sobriety test at the accident site, then took him to headquarters where he submitted to a breath test that registered a .19 percent blood-alcohol reading. California's legal limit is .08 percent.

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**AMERICAN TOPICS**

**Rural Ghettos Grow In Mississippi Delta**

Throughout the Mississippi Delta and the other poorest parts of the South, small towns that were once economically stable and racially mixed are becoming pockets of poverty and overwhelmingly black — 75 percent to 100 percent so.

Some experts, according to *The New York Times*, say a new kind of ghetto is evolving: rural instead of urban, but sharing many conditions of the inner city: white flight, black poverty, disappearing jobs, reliance on government welfare payments, rising crime and social isolation.

This is taking some of the luster off one of the great success stories of the South, its rising tide of black elected officials. Many of them have come to political

**About People**

Christine Craft became a household name 10 years ago when she was dismissed as a television anchorwoman in Kansas City on grounds that she was neither young nor pretty enough. She sued and won, but lost on appeal. Today, at 48, she has her own talk show on radio. She takes calls from 9 P.M. to midnight each weekday at Sacramento, California, station KFBK, where one of her predecessors was the conservative spokesman Rush Limbaugh. Though Ms. Craft takes a far more liberal line than Mr. Limbaugh, she takes a dim view of street crime and bilinguism, which, she says, "screws up the school and costs billions."

Any regrets? "Nary a one," she says. "If I hadn't rocked the boat, I might have had a few more jobs in television and been a tele-has-been a few years later. But I'd never have been top of the heap."

Arthur Higbee

**Short Takes**

From the gorilla remains all alone in his 40-by-40-foot (12-by-12-meter) concrete enclosure in the zoo corner of the B&J Shopping Center in Tacoma, Washington, despite years of picketing by animal rights activists who want him sent to a zoo where he can mingle with other gorillas. Ivan, now 29 and weighing 500 pounds (about 225 kilograms), arrived from Congo as an infant in 1964 and has been alone in the cage for 25 years. Mitchell Fox, an official of the Progressive Animal Welfare Society, or PAWS, says: "We have every indication that the experts are correct in their assumption that Ivan can be re-socialized and live out the rest of his life in a more natural habitat." Ivan may get his chance because of a rift

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**Herald Tribune.**



# Serbia's Health Catastrophe

## UN Sanctions on 'Pariah' Block Medicines

By Henry Kamm  
*New York Times Service*

**BELGRADE** — Dr. Bozidar Vlahic bent over the comatose child and glumly checked the equipment that pumped a kind of life into the 4-year-old boy. He was asked if there was any hope.

"No," the pediatrician replied.

But Dr. Vlahic said there was no reason the boy, Dejan Zelenkovic, would not have recovered if at the hospital, the Mother and Child Institute, Yugoslavia's finest pediatric center, had been able to give him the common anti-spasmodic medicine that would have prevented the coma.

Or, he added, if Dejan's parents could have afforded to buy the drug on the black market, where those with money can overcome the effects of United Nations sanctions against Serbia and Montenegro,

the two republics in what is left of federal Yugoslavia.

Smuggled drugs cost up to five times the normal price, and many families have sold land, cars or furniture to buy antibiotics, anti-cancer drugs, insulin or anesthetics.

The sanctions resolutions, passed by the UN Security Council because of Yugoslavia's support for the Bosnian Serbs in their war with Muslims in Bosnia, specifically exempt medical supplies. But doctors, aid workers and international officials here say medicine is not getting through.

In an unusual appeal to the heads of their organizations, the top representatives in Yugoslavia of three international agencies wrote a letter in June to the UN High Commissioner for Refugees, the World Health Organization and the International Federation

# Bosnians Expected To Bar Peace Plan

*Compiled by Our Staff From Dispatches*

**SARAJEVO, Bosnia-Herzegovina** — President Alija Izetbegovic said Sunday that the new plan for his republic worked out in Geneva could not be accepted and would be rejected by an assembly later in the week.

His statement, made at a news conference just hours after he returned from Geneva, indicated that his government would continue trying to win more concessions from the Bosnian Serbs and Croats.

Ultimate rejection of the plan most likely would lead to an upsurge in fighting in Bosnia. Under the compromise package, Serbs would get about 52 percent, Muslims 31 percent and Croats 17 percent of the territory.

Mr. Izetbegovic said Sunday that the plan had good aspects, including the preservation of Bosnia-Herzegovina as an internationally recognized state. He also pointed to a reduction in fighting in the last three weeks and an improvement in aid.

But the president, who is a Muslim, said that "at first glance" the bad aspects prevailed.

He said the plan would be discussed by a Bosnian assembly, including not only parliament members but others such as writers and scientists.

"I will not propose that they vote for such a proposal," Mr. Izetbegovic said, adding he wanted to continue the negotiating process. But he said the assembly would assess the plan as "not acceptable, no matter what I suggest."

There were these developments:

The strategic Maslucina ridge, linking western Croatia with the Dalmatian Coast, was reopened for the second time in re-

cent weeks, but Serbs on overlooking hills shelled the area immediately afterward.

Officials of the United Nations force in Zagreb said there had been heavy shelling near the bridge, but they had no other details.

The pontoon structure, which was erected to replace the destroyed original bridge, was damaged in a Serbian shelling attack on Aug. 1.

The bridge had been opened under a UN-mediated accord signed by the Croatian government and rebel Serbs on July 17, which provided for the Croatian Army and the police to withdraw from the bridge area by the end of the month.

A Ukrainian UN peacekeeper arrested on suspicion of black marketeering has been sent home and will be dishonorably discharged, a United Nations military spokeswoman said Saturday.

The Ukrainian battalion in Sarajevo, accused by Bosnian authorities of engaging in black market dealings, has sent home a total of 13 men for offenses connected with war profiteering, Lieutenant Colonel Patricia Purves said.

The United Nations has moved a step closer to setting up a tribunal to prosecute war criminals in the former Yugoslavia by narrowing a list of candidates to 23 potential judges.

Forty-one jurists from 38 countries had been nominated by governments for consideration by the Security Council, and in a closed briefing session Saturday the council trimmed the list to 23. The General Assembly is to elect 11 to serve on the tribunal within the next month. (Reuters, AP, NYT)

# Muslims' 3-Month Purgatory in Mostar

By John Pomfret  
*Washington Post Service*

**MOSTAR, Bosnia-Herzegovina** — Seima Handzar looks like a mangled doll who has lost her right arm. The 9-year-old squints at the world from a face covered with tiny red craters. The wounds on her legs also cut deep, and her doctors fear she might lose another limb. There's blood on her sheets and a teddy bear with a yellow nose on her pillow.

Her brother Mirza, 7, lies next to her, holding her hand. An unwieldy bandage dwarfs his bony right leg. He's weepy from painkillers, and sometimes he cries because he fears an operation. His doctors have some hope he will be all right.

A shell crashes nearby. Its blast shakes the walls and feels like a punch in the chest. A cacophony of gunfire explodes all around.

"If I leave Mostar I'll walk on my own legs," the little boy asks.

There is no sign that the Handzar children — or other Muslims in Mostar — will be able to leave anytime soon. For the past three months, Croatian gunmen have relentlessly blockaded and bombed the estimated 30,000 Muslims in the east of this city, 80 kilometers (50 miles) southwest of Sarajevo.

While the Serbian siege of mostly Muslim Sarajevo has captured headlines, little information has trickled out about the Muslims blockaded in Mostar by Croats.

For the first time since the blockade began, a UN patrol entered the east bank of Mostar on Saturday. What they found, as they delivered a symbolic shipment of aid (about 20 small boxes of medicine but no food), was "a desperate humanitarian situation," according to Cedric Thornberry, deputy chief of the UN mission in former Yugoslavia.

Mr. Thornberry said that he hoped the besieging forces of the Croatian Defense Council would allow an aid convoy in soon, but that he has had no promises. "I don't think they have many days left to hang on," he said, emerging shaken from the ward where he had visited the wounded children.

It was on Friday that a mortar shell fired by Croats on the west side of the Neretva River blasted into the Handzar family's garden on the east side and left the children lying in the dirt. It was a tragedy that has occurred with appalling regularity.

Since the blockade began in June, daily Croatian bombardment has left 107 civilians dead and 433 wounded, according to statistics compiled by military authorities here. They would not reveal military casualties.

A spokesman for the UN Protection Force, Lieutenant Colonel Patricia Purves of Britain, said the United Nations was considering beginning airdrops to the city if the Croats did not lift the blockade.

U.S. military officials, who have taken the lead in the airdrop program, have been preparing for weeks to add Mostar to the areas receiving food by air.

Asked to compare life on the east bank with that of the Croatian-held west bank, Mr. Thornberry said the Muslim side was "worse, much worse."

While the Croatian side has almost continuous running water, about 12 hours of electricity a day, ample food and beer, the only water on the eastern side is that gathered in cisterns from the Neretva, within the range of Croats' guns. The Muslims manage to chlorinate the water, but gastrointestinal disorders are rampant.

An improvised hospital with only 50 beds functions in the basement of a turn-of-the-



A Spanish member of the UN force in Bosnia trying to cheer up a wounded boy in a makeshift hospital in Mostar.

# U.S. Holds Firm

*Daniel Williams of The Washington Post reported from Washington:*

Three months after releasing \$50 million in aid to Nicaragua that was delayed because of allegations of human rights abuses, the Clinton administration is telling Nicaragua leaders no new U.S. aid will be forthcoming as long as Sandinista officials command the army, police and intelligence services.

Issues of consequence to the United States include failure to prosecute cases in which the army or intelligence service are prime suspects in assassinations, apparent intelligence links with terror organizations and the slow compensation for land confiscations carried out by the Sandinista government.

The ouster of Sandinistas from top security positions is key to achieving progress on these questions, State Department officials said.

**WEEKEND: Crossing the Line**

*Continued from Page 1*

Celeste Kim, a nurse. "You're not sure if you're coming or going."

She added that national holidays, like the upcoming Labor Day, will be taken on Saturdays, which are Fridays in the United States, instead of Tuesdays, which would be Mondays.

Kwajalein residents, about 3,000 American military and civilian workers — there are virtually no native islanders — marked the occasion with a two-mile, three-day run. "Run Around the Clock" began just before midnight Friday and ended a short time later, on Sunday morning.

Kwajalein is a crescent-shaped coral atoll about 2,500 miles (3,700 kilometers) southwest of Hawaii. It is dotted with palm trees and, on the lagoon side, graced with silky white beaches with brilliantly clear turquoise water.

Bob Schamney, manager for the security and law enforcement contractor on Kwajalein, was stoic about the date line change. "It's just another day in paradise," he said.

Actually, after midnight Friday, it was one less day in paradise.

# Yeltsin Cabinet Member Falls in Scandal

By Lee Hockstader  
*Washington Post Service*

**MOSCOW** — A few hours after his plane took off for Africa, Sergei Y. Glazev, Russia's 32-year-old foreign trade minister, received an urgent summons from his government. Return to Moscow at once, said the message.

An aide to Mr. Glazev said his boss had been recalled from a planned five-nation African tour in order "to be acquainted with certain information," the Postfactum news agency said.

A day later, Mr. Glazev was history.

His resignation offer Saturday — the second tendered by a member of President Boris N. Yeltsin's cabinet in as many days — came amid vague and conflicting allegations of graft inside the ministry and plots against it by powerful unnamed trading "mafias."

A day earlier, Mikhail A. Fedotov, the minister for press and information, also offered to quit rather than preside over what he

warned was an imminent legislative crackdown on press freedom.

While the precise causes prompting the two ministers to quit are cloudy, the moves suggest dismay in Mr. Yeltsin's government in the run-up to what the president himself says will be a furious political fight against hard-line enemies of reform in the next few months.

Mr. Yeltsin has promised to hold early elections this fall to replace the anti-reform Russian parliament, his main antagonist. Leaders of parliament have vowed to block any early ballot.

Every day seems to bring some vague new allegation of dark conspiracy, some fresh warning of deepening chaos or some faint whiff of impending vengeance.

Before dawn on Sunday, the Information Ministry said, three automatic rifle shots were fired at Mr. Fedotov's office windows. The informant minister, who was not there at the time, suggested that he had been targeted because of his advocacy of a free press.

"This warning may have come from three circles that are extremely displeased with my position as a minister, a politician and a person

# BALTICS: Moscow Cancels Troop Withdrawal Plan

*Continued from Page 1*

ing, Mr. Yeltsin supported Baltic independence and promised to withdraw Russian troops. But nationalist pressure at home, in particular over the treatment of Russian-speaking minorities in the republics, complicated the process.

Russia has yet to sign a troop-pullout agreement with Estonia and Latvia, although many units have left. But relations have been better with Lithuania, which has the smallest Russian-speaking minority of the three and which has granted its Russian speakers full rights and citizenship.

The cause of the breakdown in talks, according to Russian officials, was Lithuania's insistence that Russia pay billions of dollars of compensation for damage caused by Soviet troops over the last 50 years. Russia rejected the claims.

The Moscow paper *Izvestia* reported earlier that Lithuania was seeking \$140 billion.

Mr. Degutis, the Lithuanian chargé d'affaires, said that such a figure may have been discussed but Lithuania had made no specific demands and was only seeking to assure that Russia would agree to negotiate compensation in the future.

Delegations from the two countries met Saturday but made no progress, according to spokesmen. As a result, Russian officials said they will no longer feel bound to pay compensation for damage caused by Russian troops even during the last 20 months.

After more than a year of turning

inward and withdrawing, Russian forces and diplomats have assumed a more active role in recent months in several corners of the former Soviet empire, including Tajikistan and Georgia. Officials have yet to renounce the right to retain some bases in Estonia and Latvia.

The Baltic republics have sought to enlist the help of Scandinavians and other countries in pressuring Russia to withdraw. They have insisted that there should be no linkage between the troop withdrawal, which they see as a question of sovereignty, and the treatment of Russian-speakers in their nations.

But Russians, angered that Russian-speakers in Latvia and Estonia have not been granted citizenship on the same terms as ethnic Balts, refuse to disavow linkage on the two issues.

# China Vows a New Corruption Fight

By Nicholas D. Kristof  
*New York Times Service*

**BELING** — The Communist Party has announced a major crackdown on corruption, with President Ziang Zemin warning that graft threatens the future of the party itself.

"Corruption is the virus that has eroded the healthy body of the party and the state," Mr. Ziang, who is also Communist Party leader, said in a keynote address at a six-day conference called to attack the problem. "If we lower our guard

and let it run wild, our party will be ruined, the people's power will be lost and the great cause of socialist modernization will be forced off track."

But he added, "Our party, our cadres and our people will never allow such consequences."

The attack on corruption reflects unease in the leadership at the growing public outrage at the level of graft in the government. A few years ago, corruption meant a police officer on the street who demanded a payoff of a dollar or so; these days, corruption means a senior official who takes in commissions of hundreds of thousands of dollars before approving business deals.

In addition, corruption has nurtured a web of organized crime — often linked to gangs in Hong Kong and Chinatown abroad — in which officials play a central role. Military, customs and border patrol officials, for instance, have repeatedly been caught engaging in precisely the smuggling that they are supposed to be stopping.

# Leftists Holding 35 In Managua Open Fire

*Compiled by Our Staff From Dispatches*

**MANAGUA** — Leftist gunmen opened fire Sunday when journalists abruptly moved on the Managua building where the group was holding about 35 hostages, including Vice President Virgilio Godoy Reyes, the police said.

The gunmen fired after several foreign and local reporters managed to get through a police cordon and ran toward the building.

The guerrillas apparently mistook that for an attack, a police spokesman said. No one was reported injured.

Radio Ya broadcast the sound of gunfire. The shots soon stopped, but more firing was heard about 15 minutes later.

The hostage-taking by leftists at the headquarters of the National Opposition Union alliance came in retaliation for the seizure of 37 officials on their way to peace talks with insurgents in the north of the country. The alliance of 14 parties got its name during its opposition to the previous Sandinista regime.

Negotiations to try to free both groups of hostages have made little progress, though the pro-Sandinista Kidnappers released 14 hostages Saturday as a goodwill gesture.

The rebel groups — from the left and right — are rapidly creating a climate of violence that threatens more upheaval in a nation at war off and on for decades.

After the gunfire stopped at the party headquarters, the abductees paraded several of the captives, stripped of their clothes, before the windows of the building, witnesses said. One was the former assembly speaker, Alfredo Clear.

The pro-Sandinista gunmen said earlier Sunday that local journalists allowed into the building were now also hostages, after local press reports identified several of the guerrillas by name. (AFP, AP)

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# BRIDGE

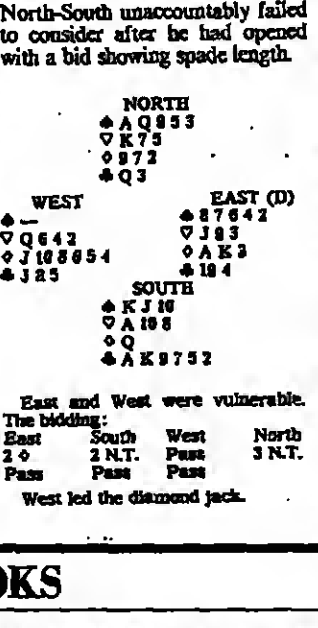
By Alan Truscott

**T**HE biggest theoretical gulf between experts and average players lies in the field of bridge bidding. Those who wish to close the gap should read "Precepts From A to Z" by Ron Anderson and Sabine Zuckel, available for \$17.50, including mailing, from A-Z Books Inc., 40 East Ninth Street, No. 908, Chicago, Illinois 60605.

A controversial area is either-or bids, such as a British two-diamond opening showing a major-minor two-suitor with the suits unspecified. Somewhat safer are Bergen preempts, which show length in the suit two levels above the one bid. An extreme example from the book is the one shown in the diagram, in which Marty Bergen, the originator of the method, opened the East hand with two diamonds to show spades. This was in the final of the Springfield Teams a decade ago, and he was uninhibited by the vulnerability because his team was trailing by 40 imps.

The opening, daring or rash according to one's viewpoint, jockeyed North-South into three no-trump, which was quickly defeated by two tricks after a diamond lead. The profit turned out to be small when Bergen's teammates, given an unopened run in the replay, reached six clubs, a reasonable contract that was defeated by a diamond lead and a spade shift for a ruff.

But Bergen's profit would have been 14 imps if his teammates had managed to reach the unbeatable contract of six spades, a spot that



# ARTISTIC DIFFERENCES

By Charlie Hauck. 238 pages. \$21. William Morrow & Co.

Reviewed by Janet Maslin

**W**ITH a title meaning either "I quit" or "you're fired" in Hollywoodese, "Artistic Differences" is a caustically funny account of star temperament within the world of network television. The novelist, Charlie Hauck, clearly knows his terrain. As a consequence of having variously written, produced and created seven half-hour comedy series (among them "The Associates") and living "in Los Angeles, about 10 blocks from Michelle Pfeiffer" (according to the jacket copy), Hauck keenly appreciates the rules of the game. "Never let the star know that there are other people in the world" is one of the helpful hints his story provides.

Hauck is able to illustrate, for example, how best to placate a top-billed actor when writing a television show. If, it's pointed out, a name like Lou, it's foolhardy to name an episode "Sober Big Day Off" when it can be called "Lou Gives Sophie a Day Off" instead. And it's safe to say that a guy who can say "the 82 Chamberlaine de Musigny" is probably not going to hurt me.

As for enduring a story conference with a prima donna who half-listens while she sibilantly screeches abuse at her pedagogue, Hauck counsels remaining calm, swallowing one's pride and putting up with the indignity. As this wretched roman à clef makes clear, there

are other ways of having the last laugh.

"Artistic Differences" is narrated by Jimmy Hoy, who dreams up sitcoms together with his literary-minded partner, Neil Stein. (Their noticeably less well-read secretary, Sharon, who is planning a trip to Florida, asks about Virginia Woolf.) "Did she just write about the Orlando area?" When Sharon hears someone mention that Henry Fielding wrote "Tom Jones," she adds, "and Tony Richardson directed."

Jimmy and Neil have apparently had happy lives until they cross paths with Geneva Holloway, the novel's dainty blond villain, whom Jimmy first encounters when she is appearing in beer commercials. "She talked about herself for 25 minutes and kept me interested," he recounts in a description of having met her at a memorial service for an actor's dog. "This spoke highly of her potential, if not as an actress then at least as a star."

Later, when they meet again, Geneva has progressed to the point of being "about six years away from having her own brand of perfume."

She seems a plausible replacement for the star of Jimmy and Neil's latest series, even though the show was originally written for a black man. Within the crazy realm of the novel, that isn't much of a stretch; Hauck also mentions the production executive whose best comedy idea concerns an astronaut whose Jewish mother has stowed away aboard the space shuttle.

Jimmy and Neil quickly recognize the problems inherent in working with Geneva. There is the moment when she tries to justify an unflattering costume choice by ex-

plaining that she is a survivor of rape "in a past life" and has thus been given broad hips "as a source of protection." ("Her rationalization of how a politician's wife in Midland Heights, Ohio, came to own an \$1,800 asymmetrical Yohji Yamamoto double-breasted dress was a special pleasure to hear," Jimmy observes.) Then there is the comparison Geneva throws when a waitress serves her chunky carrot sticks instead of thin ones. This novel's best aspect is its eye for the specifics of star excess.

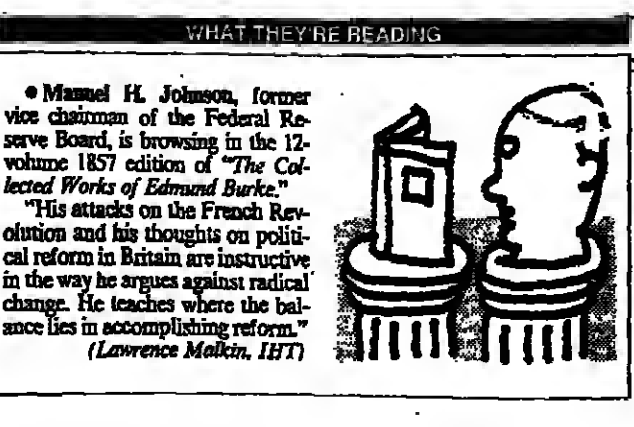
So when Hauck gets down to business, he provides a detailed and droll description of casting sessions in which Geneva skillfully vetoes any leading man with talent. And he describes how she is able to prance away her co-star's funny lines in a later rehearsal with a string of innocuous-sounding questions. (They all begin with "Wouldn't it be better if . . .")

The novel, which follows the trajectory of Geneva's rise to fame and her ridiculous abuse of power, culminates in an awful consequence.

Geneva's undoing is set in motion when she visits several Arab countries (noting an item she purchased at Banana Republic: an Israeli paratrooper's flight bag).

After spending time within this novel's skewed world of show business, it becomes difficult to know when the author is making things up. But mostly, in explaining Hauck's amusingly jaundiced outlook, there is the way that television writers are customarily treated. Imagining the critical response to a show that has been savaged by its overweening star, he writes: "Unfortunately, even the talents of Czechoslovakia could not salvage Anton Chekhov's trite and meaningless script." Describing the kind of story suggestions that come from network executives, he offers this example: "Does Otello have to be black, and does he have to kill her? If 'Artistic Differences' is to be believed, television writing is not for the faint of heart."

Janet Maslin is on the staff of The New York Times.





# In Japan, Close Combat Over a War Memorial

By James Sterngold  
New York Times Service

TOKYO — Half a century after World War II left more than 20 million people dead across Asia, Japan seemed to have turned a historical corner with its long-delayed admission that the brutal policies of the imperial government brought on the suffering. Accounts of atrocities that were long suppressed, admissions of responsibility and expressions of condolences finally broke through the decades of evasions.

That was when Sakae Suehiro felt he had had enough. Mr. Suehiro, 66, is director of the Japan War-Bereaved Families Association, which represents the families and descendants of war casualties and has been a key participant in the planning for the new museum. The idea of the government's sullying the memories of the war dead with apologies or suggestions of wrongdoing left him outraged.

Two weeks ago, for instance, the departing government of Prime Minister Kiichi Miyazawa finally admitted that the Japanese military had coerced women from one end of Asia to the other into providing sex for Japan's invading armies at government brothels known as "comfort stations."

Mr. Suehiro, who was in Korea during the war, remarked: "I think many of these women accepted the invitation of businessmen who operated the 'comfort stations' because they needed the money to help their families. I never heard before of forced recruitment or that the military was involved."

Mr. Suehiro insisted Japan had been provoked into attacking Pearl Harbor by an American economic embargo, not expansionism. The war Japan waged against China in the 1930s, he added, was a response to attacks by Chinese Communist guerrillas.

Until recently, Japan had largely ceded authority for interpreting and storing memories of World War II to a small group of associations, like Mr. Suehiro's, imbued with a singular mission — to preserve a sense of Japanese pride and dignity despite the defeat. The government had often depicted the Japanese as victims of an evil war nobody wanted.

Some have gone further, characterizing the war as a blessing in disguise for the region. "We cannot say that the Japanese justification for execution of the war, creating the Greater East Asia Co-Prosperity Sphere, had the universal aim of liberating neighboring

Asian countries," said a recent editorial in the Sankei Shimbun, a leading newspaper. "On the contrary, we ended up creating a grave disaster."

"But as a result, it brought their independence from colonial rule by the great Western powers," it continued. "We have to restrain ourselves from claiming it too loudly, but there is no question that that is an historical fact."

The \$120 million memorial museum, whose groundbreaking is expected in a few months, is shaping up as the battleground between these differing views.

All sides agree that the museum should discourage the nation from embarking on another war and that it should portray the "correct" history of the war. The problem is that what was correct several weeks ago may no longer be.

The version of events presented by Mr. Suehiro's and other groups was largely accepted in various documents prepared by the Health and Welfare Ministry, which is in charge of the museum's construction.

# Japanese Exchange Student Dies of Wounds in California

SAN FRANCISCO — A Japanese exchange student shot in the head and left on a California street died in a hospital after his parents decided to turn off a life-support system, a hospital spokeswoman said.

Masakazu Kuriyama, 25, never recovered consciousness after being

shot twice in the head by a nursing supervisor at the hospital in Walnut Creek.

He was found lying near a commuter railroad station in Concord, 30 miles (50 kilometers) east of San Francisco, early Friday. Despite several hours of surgery, Mr. Kuriyama suffered severe brain damage

and was on life support systems with no hope of recovery, the spokeswoman said.

His parents, who flew from Japan after being told of the attack, made the decision to switch off the life-support system soon after arriving at the hospital on Saturday, she said.

Mr. Kuriyama's parents did not speak to the press, but in a message passed through the student's American host family, they said they did not blame Americans.

It is the second time in a year that a Japanese exchange student has been shot and killed in the United States. In a highly publicized case in October 1992, a Louisiana man shot and killed a 16-

year-old exchange student, Yoshihiro Hattori, when the teenager mistakenly knocked at the door of his house while looking for a Halloween costume party.

In the Louisiana case, the assailant was charged with manslaughter but acquitted by a jury last May. The acquittal caused outrage in Japan.



PRAYERS FOR MOTHER TERESA — Nuns at Mother Teresa's convent in New Delhi praying for the Nobel Peace laureate, 82, who is in a local hospital with malaria. She is in stable condition after developing respiratory problems due to "underlying heart disease," doctors said.

# Taipei's Challenge: The China Question

By Kevin Murphy  
International Herald Tribune

TAIPEI — Although bruised by factional power plays and occasional fistbumps between delegates, Taiwan's ruling Nationalist Party or Kuomintang, closed its week-long National Congress on Sunday more unified publicly than it had begun.

But solidarity reigned, analysts say, in part because the Kuomintang never deeply discussed the country's single most complex and emotional issue: what to do about relations with mainland China.

This meeting was about the sharing of power within the party, said Lu Ya-fu, a Taiwan University professor, describing moves by Lee Teng-hui, the country's first native-born president and party chairman, to strengthen ethnic Taiwanese control of the party.

"Any serious debate would have demonstrated the real lack of unity in the party on this important issue," said Mr. Lu. These days, however, many party members are reluctant to debate the issue, he said, because of the Kuomintang's close ties with China, a doctrine cherished by the Kuomintang since it arrived en masse in 1949.

The "China question," which forms the core of any debate about Taiwan's economic, political and cultural destiny, will be the key to future elections.

"The future regarding China is a very serious problem," Mr. Lu said, "but many people would rather not confront it."

Taiwan's three national parties are struggling to formulate policies that will both appeal to voters and cope with the challenge posed by the massive political and economic changes involved in China's rapid growth and the return of Hong Kong to Beijing's rule in 1997.

In the years after the Communist victory in 1949, when the Kuomintang was transforming itself from a vanquished army into Taiwan's ruling elite, China policy was simple: Stay armed and save resources

needed for an eventual triumphant return.

Now, with both countries transformed by capitalism, circumstances have changed more quickly than formal relations acknowledge.

With two-way indirect trade estimated by Beijing to hit \$10 billion this year, and with many Taiwan manufacturers relocating to the mainland, regulations have become ineffective in the face of high profits.

Taiwan's current policy forbids direct mainland investments and trade or transportation links, which makes continued free access to Hong Kong after 1997 vital for Taiwanese business interests.

"Water always flows from high to low places," said Taiwan's foreign minister, Frederick Chien, of a largely clandestine flow of investment estimated to have surpassed \$10 billion.

Mr. Chien and other officials are guiding Taiwan's foreign policy. "To certain areas there may, possibly, be some growth as a low-cost manufacturing export powerhouse will come partially at Taiwan's expense if it cannot play a greater role in China's rise as an economic power."

But how can Taiwan, which is already nervous about snowballing mainland investments, get further involved in the profits without risking its economic independence?

"We must not consider the People's Republic of China to always be an adversary," said Mr. Chien. "To certain areas there may, possibly, be some growth as a low-cost manufacturing export powerhouse will come partially at Taiwan's expense if it cannot play a greater role in China's rise as an economic power."

Voters have been deserting the long-governing Kuomintang, which last week reconvened that it seeks reunification with the mainland but which is moving too slowly for many of its supporters, particularly the business community.

"We don't want to change overnight," said the Kuomintang spokesman, James C.Y. Chu. "Relations have made progress incrementally. Business wants to move faster, but if we lose our national security there will be no protection for their investments."

# INDIA: Shaping Up the Airlines

Continued from Page 1  
India and abroad for his real estate business.

The government-owned airline is trying to strike back.

India Airlines has made noticeable improvements to its food service and has started to hold lottery drawings for free tickets. Its slightly glossier international sister, Air India, has gone further, adding four new wide-bodied Boeing planes to its fleet, serving champagne, vodka and imported chocolates, and dishing up first-class meals on china.

Still, it is the government bureaucracy that is the toughest competition for the private airline companies.

Senior government officials may be pushing reforms, but unbureaucratic will make life difficult for the new carriers. Agencies responsible for issuing licenses for the import of planes and spare parts have held up critical deliveries for weeks.

The private airlines haven't been without their problems, however. The maiden flight of Jet Airways, whose pilots are trained in Australia, landed at a military air base rather than at Bombay's civilian airport when the pilot became confused. Authorities refused to allow the plane to resume the flight and threatened to arrest the passengers for unauthorized presence on a military base.

On September 28th, the IHT will publish a Special Report on

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**Herald Tribune**

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**Herald International Tribune**  
Published With The New York Times and The Washington Post

**A Better Deal for Bosnia**

To break the expected deadlock about territory, international mediators have drawn up their own map of Bosnia and given the conflicting parties 10 days to consider it. The two winners in the war, the Serbs and Croats, lead to accepting the mediators' proposal — perhaps as much to get back in international good graces as to have most of their land grab approved. The losing Muslims have paged, still hoping against hope to gain at the bargaining table what they lost on the battlefield. The Muslims deserve more support than they are getting. Already, to capital a Serbian plan to physically divide their block of Sarajevo, they have had to accept a formula to internationalize the city, whatever that means. Now the Bosnian Croats are demanding all of most of Mostar for their own capital; the mediators would internationalize it, too. Overall, Muslims are being pressed to endorse their being shoehorned into vulnerable ink blots of territory connected by even more vulnerable corridors. The basic principle that the United Nations repeatedly affirmed, no border changes by force, is being ground into dust in these negotiations. The admirable practice that the United Nations repeatedly condemned, "ethnic cleansing," is being validated by international mediation.

All this is being done on grounds that there is no real alternative. The further excuse is that it is the quickest and kindest way out for everyone, not least the Muslims. In a generally bad outcome, nonetheless, there is better and there is worse. The American government appears not to have got around to recommending to the mediators settlement proposals that improve on those submitted by the mediators. Washington also seems to be slipping away from earlier suggestions that it would keep the threat of NATO air strikes alive not just to ease the pressure on Sarajevo, which remains under Serbian guns, but to help the Muslims at the bargaining table. Last week's would-be tiger is this week's familiar pussycat. Serbia's leadership is now saying that the international embargo, which has punished Serbia severely, should be lifted as a Bosnia settlement plan takes effect. The Serbs, having flouted UN resolutions throughout, make this request citing a UN resolution. They want general diplomatic credit on grounds that they influence the Bosnian Serbs, but they want the embargo lifted on grounds that they cannot. There must be a discussion about the terms on which the Serbia embargo ought to be eased — a long and thorough discussion. — THE WASHINGTON POST.

**Cambodians vs. Terror**

Reports from the front indicate that the military forces of the parties that contested each other in Cambodia's elections have gone on a determined first joint offensive against their common foe, the Khmer Rouge. The country is in a ragged transition from a civil war in which this force of Communist guerrillas, having murdered a million people or more, had sought a place in the new frame of things being shaped by the United Nations. Amidst the May elections, the Khmer Rouge then had the effrontery to demand a share of power, or an informal slice; in back up these demands they resumed military operations. The parties — themselves former rivals — that took part in the elections are now fighting back together. The Khmer Rouge have a certain reputation, based first on their bloodiness in the 1970s, not only of barbarism but of invincibility. They exploit particular Cambodian resentments, against Vietnamese, for instance. Despite their isolation, they have caches of arms. For material purposes they also use the contacts with corrupt Thai military chieftains that, dismaying, are still tolerated by the authorities in Thailand. Nonetheless, the military reach of the Khmer Rouge has been curtailed by international pressures and their political reach by their own political errors, such as rejecting the UN path. The United Nations is packing up after 18 months on the job. The principal burden of containment necessarily falls on other Cambodian elements. No one else remains to keep the Khmer Rouge in their place and to prevent them from spoiling the national possibilities that the record-sized UN peace-keeping mission in Cambodia has bestowed. There lies the significance of the anti-Khmer Rouge military campaign. It brings together the formerly adversarial co-chairmen of the elected interim government, one Communist (bot out Khmer Rouge) and the other royalist, and a third, Buddhist party. They are not what anyone would call a unified national army, but that is the role their country's revival is holding out to them. The departing United Nations had the sense to put these soldiers on the international payroll for the short time while international economic support is being organized. It is a further essential investment in the survival of a country whose tormentors then are its tormentors now, except that now the country is out alone. — THE WASHINGTON POST.

**Among the Millionaires**

Has Bill Clinton, restlessly seeking a summer White House he can call his own, found his Casa Atlantica in Martha's Vineyard? The fit is pretty good, if not perfect. Mr. Clinton likes policy, and Martha's Vineyard is loaded with policymakers. He likes celebrities, and Martha's Vineyard has them, too. He doesn't much like media folk, which the Vineyard is also full of, but then again nobody has ever found a picnic spot without bugs. Parts of Martha's Vineyard are basically Washington moved upstream. There are plenty of people there who do not consider themselves movers and shakers. But with Walter Cronkite and Kay Graham and Bob McNamara and Vernon ("I'm just another islander") Jordan as neighbors, no one is going to confuse the place with Lake of the Ozarks. Fact is, the man from Little Abner's home state is headed smack into the belly of the beast he pledged to control: the Washington establishment. He is staying in a place owned by Robert McNamara, a former architect and zealous prosecutor of a war that Mr. Clinton wanted no part of, in a compound of grand cottages where casual simplicity is not to be confused with poverty. And the host for Mr. Clinton's 47th birthday party was Mr. Jordan, chairman of Mr. Clinton's transition team. The president's decision to relax in the company of mainstream millionaires is of interest. He can surely vacation wherever he wants, and nobody begrudges him a well-earned week of repose, but presidents are never really off duty; everything they do sends a message. One need only recall George Bush, racing around in his golf cart and his speedboat at the very apex of the recession even though Roger Ailes and Bob Teeter were telling him it was killing him in the polls. Comes oom what could be a psychic message from Mr. Bush's successor, which is that Mr. Clinton may be just as mystified as some of his constituents are as to who he is. Quite apart from the confused generational signals sent by his decision to bed down at Mr. McNamara's, his quest for summertime digs has been a study in uncertainty. Right after the election, his Hollywood pals the Bloodworth-Thomasons leased a Santa Barbara spread. That didn't quite work, so this year the Clintons high-tailed it to Benton County, Arkansas, headquarters of the Walmart empire and home to maybe 30 other millionaires. Then, after what seems a ritual visit, Populist Bill pulls up stakes and heads for the most elitist haunt this side of Vail, Colorado. In deciding against his home state as a summer nest, Mr. Clinton is at one with Gerald Ford, who gave Grand Rapids, Michigan, a very wide berth in favor of Palm Springs, California. Most other recent presidents have returned in one way or another to a place to which they could stake a passably authentic historical claim: Franklin Roosevelt to Campobello, Messrs. Nixon and Reagan to California. Mr. Bush in Kennebunkport, Lyndon Johnson to Texas, Jimmy Carter to Georgia. There is, of course, the town called Hope. But Hope is not really a summer place and it is also a tad remote from the things that keep Mr. Clinton humming. What we have here is a vagabond president whose only true home may be the town called Network. Hence the Vineyard. After all, the man said he wanted a cabinet that looked like America, not a vacation spot that did. — THE NEW YORK TIMES.

**Other Comment**

**The Lesser Risk for Russians**  
On Aug. 12, Boris Yeltsin called for an early parliamentary election in Russia this autumn. Parliament will not agree. Its term expires in 1995, and an early election can be held only if President Yeltsin dismisses it and rides roughshod over the constitution. Mr. Yeltsin cannot argue, as Lenin did, that any step is justified to ensure a new regime's power. But he can argue a pragmatic case. Those who say Russia will need ten to twenty bumpy years until new elections can be held under the old constitution underesti-

mate the damage that parliament, heavy with faces and attitudes from the past, could do meanwhile. Without a new constitution, Russia might well become ungovernable. It is possible that Mr. Yeltsin could get parliament's consent to early elections were he to accept a new presidential election at the same time. If so, he should take the risk. But if parliament rejects such an offer, then he should go ahead with his plans, dismissing it and calling new elections. The risks of doing that are great; the risks of not doing so would be greater still. — The Economist (London).

**War Guilt: High Time to Admit the Truth**

By Gregory Clark

**T**OKYO — Fifty years later, World War II finally looks like it's becoming an issue in Japanese politics. The new prime minister, Morihiro Hosokawa, has courted nationalist hostility by stating that Japan was guilty of aggressive war. Conservative and right-wing Japanese have long argued that Japan's war guilt, if any, was much less than Nazi Germany's. They say that Japan was pressured into hostility by the Western powers, and that it overtook unprovoked deliberate Nazi-style genocide and barbarity. But none of this excuses the savagery and scale of Japan's moves into China after 1931. More than 15 million Asians lost their lives as a result

involvement in recruitment of foreign women to serve as prostitutes for its wartime armies, until someone discovered undeniable records. Worse in some ways is the Japanese propensity to "victim complex" (*hishaku ishiki*). The right-wing media have forgotten about Chinese slave laborers in Japan like to record and publicize in precise detail the wrongs and sufferings imposed on the 600,000 Japanese soldiers used as forced labor in Siberia after the war.

**Hosokawa's readiness to put an end to this indulgence and amnesia deserves every praise.**

of Japan's attempt to create its Greater East Asia Co-Prosperity Sphere. Many of them were Chinese or overseas Chinese deliberately killed for political and/or racist reasons. Some faced forced labor and prison camp conditions as bad as anything the Nazis devised. Conservatives and right-wingers like to gloss over these details. Because they can dispute Chinese estimates of the numbers killed in the notorious Rape of Nanjing incident of 1937, they managed to convince themselves that maybe the incident never really happened. A 1983 book researching in irrefutable detail Japan's wartime poison gas and germ warfare experiments on thousands of Chinese and Russian prisoners in Manchuria was pook-pooked simply because there were doubts about the authenticity of just one photo in the book. Japan's official responsibility for mistreatment of Chinese laborers brought to Japan during the war was denied by the Foreign Ministry on the grounds that there were no records, until someone recently discovered that the Foreign Ministry had deliberately destroyed the official records. (Fortunately one set survived.) In the same way, Japan tried until recently to deny official in-

U.S. atomic bombings in 1945 are used by many to prove that U.S. "war crimes" against Japan were as bad as if not worse than anything Japan committed. Many like to argue that Asia at least has to thank Japan for its freedom from Western colonialism. At the same time, some are even trying to argue that the Koreans should be grateful for the progress they made when they were under Japanese colonialism. Mr. Hosokawa's readiness to put an end to this indulgence and amnesia deserves every praise. Some see him as weak and vacillating. I have known him for some time, and on the question of Japan's need to apologize to Asia for what he at least has no doubt about his resolve. His maternal grandfather was a pro-Asian prime minister, Prince Fumimaro Konoe. Some saw him as an architect of Japan's 1930s military expansion into Asia. But the record shows his dilemma at the time: to be effective he had no choice but to work with and try to temper the ambitions of the anti-Asian nationalists. Mr. Hosokawa could end up facing the same dilemma. His coalition government includes the

breakaway Shinseit faction from the formerly ruling Liberal Democratic Party. The faction is dominated by the ambitious, extremely right-wing politician Ichiro Ozawa. This year the faction ostentatiously joined other right-wing LDP politicians in the Aug. 15, war-end ceremonies at Yasukuni Shrine — the focus of Japan's prewar militarism, still used as a symbol of nationalist sentiment and still bitterly resented by Beijing. Meanwhile, Mr. Hosokawa was drawing more nationalist criticism at another war-end ceremony, for daring to express sympathy to war victims in countries other than Japan. According to the nationalists, only Japan's war dead should have received sympathy.

These trends are worrying. To date, strong Chinese and South Korean criticism of the unrepentant nationalists has helped somewhat to slow the slide to war-guilt denial. Efforts by the progressive media and the semi-public National Broadcasting Corporation (NHK) in releasing documentary evidence of Japan's war atrocities and guilt has also influenced public opinion. But at the top levels of Japanese society, the conservatives and right-wingers still hope to set the agenda. The right-wing media have already begun to criticize Mr. Hosokawa's war-guilt statements. He could find himself in trouble if he continues his crusade. For example, it is no secret that the Ozawa faction split from the LDP and joined the Hosokawa coalition not out of any reforming zeal but out of ambition to dominate Japan's weak opposition parties. Already the faction is flexing its political and financial muscle in a coalition devoid largely of both money and political talent. It could try to use the war-guilt issue to weaken Mr. Hosokawa and dominate the coalition. This in turn could lead to a further round of political shake-ups in which liberal elements in the LDP such as those around the present LDP leader, Yoshi Kono, and former Prime minister Toshiki Kaifu join with progressives in the Hosokawa coalition. The Ozawa faction would then rejoin a firmly right-oriented LDP. That way the lines of ideological difference would at least be clear. — International Herald Tribune.

**Japan's Asian Neighbors Require a Full Apology**

By Lee Poh Ping

**K**UALA LUMPUR — The new Japanese government appears to be making some genuine attempts to acknowledge the past. Morihiro Hosokawa, the prime minister, is to clarify his position on Japan's war responsibility in his first policy speech to the Diet, this Monday. He went further than previous Japanese leaders by admitting recently that Japan waged an aggressive and brutal war during its 1931-1945 campaign to conquer Asia.

Peninsula in 1910 and invaded China and Southeast Asia between 1931 and 1945. There remains considerable opposition in Japan, and even within Mr. Hosokawa's reformist coalition, to an open admission of wrongdoing. Conservatives in the coalition, echoing the sentiments of LDP leaders in the past, are up in arms over their leader's critical attitude to World War II, arguing that it dishonors the nation and will trigger a torrent of compensation claims. Keigo Ouchi, the health minister, said on Friday that he believed Japan was dragged into the war by international events. Those Japanese who continue to resist an outright apology maintain that it is unwarranted because Japan behaved no differently from Western colonialists in Asia. Some even argue that Japan did nothing that could not be justified by the exigencies of war. Moreover, they say, Japanese military action liberated Asia from Western imperialism. Asians, however, condemn both the past policy of the West based on

white superiority and Japan's attempt to assert its superiority by imposing a "co-prosperity sphere" on the region. Japanese atrocities against Asians are well documented and undeniable. It is true that by defeating the West in Asia, Japan demolished the myth of white invincibility. This gave courage to subjugated Asians to resist Western colonialism after the war. Japan also encouraged nationalist movements in Southeast Asia that subsequently played an important role in the anti-colonial struggle. Yet the Japanese were clearly bent on colonial domination in Korea and China. Where Japan gave some meaningful help to Asian countries, in Burma and Indonesia for example, it was not done with the intention of liberating them. Japan calculated that it would be unable to resist the return of Western forces without arming and training native Southeast Asians. Germany came to grips with its Nazi past long ago. The West, as a whole, has closed the chapter of colonialism and is endeavoring to

treat Asians as equals. This process of adjustment is incomplete, but Asian countries have learned to accept a postcolonial Western presence. They have used the investment, technology and skills that have come with it for their own benefit. Japan withdrew from Asia involuntarily with no real acknowledgment of wrongdoing. The victorious Western allies forced Japan to pay reparations. In recent years, Japan's economic relations with Asia have flourished; the region needed Japanese capital and know-how. The pragmatic nature of these ties meant that they could be developed without unduly arousing Asian fears of domination. However, Japan now aspires to a more extensive political and security role in Asia. To be acceptable in the region, Tokyo must demonstrate in a convincing way that it will never repeat the past. A full apology is the necessary first step.

The writer teaches international relations at the University of Malaya in Kuala Lumpur. He contributed this comment to the International Herald Tribune.

**A Monster Quietly Set Free**

By Daniel J. Goldhagen

**C**AMBRIDGE, Massachusetts — With attention focused on the fate of John Demjanjuk in the Israeli Supreme Court, a more significant case has gone virtually unnoticed: the freeing of the master sadist of Treblinka. In July, German authorities acknowledged that in May Kurt Frazz had been quietly released from prison. He was the deputy commander and then commander of Treblinka, where the Germans killed about 900,000 Jews and whored "Ivan the Terrible" pined his trade. In 1965, a German court sentenced Kurt Frazz to life imprisonment for complicity in the murder of at least 300,000 people, the overwhelming majority of whom were Jews, and for personally killing 139.

In 1993, another German court has thought it wise to free him. Whatever uncertainty exists over John Demjanjuk's guilt, neither he nor Iwan the Terrible or a "mere" guard at the death camp Sobibor, about Kurt Frazz there is no doubt. He more than anyone else was responsible for the hellish treatment of the Jews who lived in Treblinka and who died in its gas chambers. The 1965 verdict stated: "A large part of the streams of blood and tears that flowed in Treblinka can be attributed to him alone." Kurt Frazz used to pummel Jews to death at a whim, even reviving them with water during the beatings so that their suffering and his uncooled pleasure could be extended. His very presence inspired terror among the prisoners. Once he took target practice by shooting them between the legs as they sat on the latrine. He had even trained his pet dog, Barry, to maul them, and he would often set the dog upon his victims with the command: "Mein Gott, get that dog!" referring to Barry as the "man" and to the Jew as the "dog."

A Saint Bernard, Barry was out by nature vicious. When Kurt Frazz was not around, Barry permitted prisoners to play with him. It was his master who transformed the dog into a ferocious beast. Kurt Frazz remained unrepentant after the war. When he was arrested in 1959, the authorities found in his apartment an album that contained photographs from Treblinka — of him and his comrades, of Barry and of the animals in the small zoo set up for the enjoyment of Treblinka prisoners. His album bore the caption: "The Best Years of My Life." Kurt Frazz was one of the world's murderers Nazism produced. Yet he is now a free man. He was released under Article 57 of the criminal code, which allows for a life prisoner to be freed after 16 years unless "the particular gravity of the guilt of the convicted prisoner mandates the further execution" of the sentence.

Invoking this provision, the state prosecutor objected to his release. Astonishingly, two courts, citing his deteriorating health, did not deem his guilt to be grave enough to warrant his serving the full sentence. Although 34 years may sound like a long time in prison, Kurt Frazz, now 79, spent approximately one hour in jail for each of the 300,000 people he helped kill. Yet for today's guardians of justice, that was punishment enough. How do the judges view the seriousness of Kurt Frazz's crimes? What do the government and the press think of the courts' decisions? Their virtual silence is striking. Is one hour of prison time what the new Germany considers a Jew's life to have been worth? Imagine that Kurt Frazz had participated in the killing of 300,000 mostly Polish Jews but of 300,000 Germans. Would these same courts have evaluated the "particular gravity of the guilt" similarly and would virtual silence have greeted his freedom? If Heinrich Himmler, the head of the SS, were alive and in prison, would he, too, be released? The enormity of Kurt Frazz's crimes was every bit as great as that of his.

It is hard to believe that a civilized society would deem Kurt Frazz, one of the greatest mass murderers in history, fit to live freely in it. There are no conditions under which this man should be released from prison. The German courts, the silent government and the press have shamed themselves. Kurt Frazz might as well be given back his photo album. — The writer, assistant professor of government and social studies at Harvard University, is completing a book on the Holocaust. He contributed this comment to The New York Times.

**Your Health Gets Harder To Pay For**

By James K. Glassman

**W**ASHINGTON — Daniel Patrick Moynihan, that rare member of Congress who is not embarrassed to be called an intellectual, has a new passion. It is called Baumol's disease, and it could be devastating to President Bill Clinton's health plan. Baumol's disease is an economic theory named for its discoverer, William J. Baumol of New York University. It holds that, while productivity has increased dramatically in most parts of the American economy, it has lagged in professions such as the arts, teaching and health care, "which require a high level of personal input." As a result, the costs of these activities just keep going up and up. Mr. Baumol believes that within less than two generations health care and education alone will consume more than 60 percent of America's GDP.



What are the stagnant services? Mr. Baumol's list includes health care, education, legal services, welfare programs for the poor, postal services, police protection, sanitation, repair services, the performing arts. "Notice anything?" wrote Senator Moynihan in his July paper, "Education, welfare, police, sanitation. All these are public sector activities, or mostly so. . . . Let me offer, then, a subject to Mr. Baumol. Activities with cost disease migrate to the public sector. They must have public subsidy or they will disappear. Hence, in part, our quarter-century turmoil over the cost of government and, now, the size of the deficit." Conservatives such as Milton Friedman have long argued that America has two economies: the private sector, highly productive, and the public sector, highly unproductive. It is undeniable that we Americans spend more on police protection but still get more crime; we spend more on public education but still turn out poorly educated graduates. Mr. Friedman contends that it is the nature of politics and bureaucracy that makes government unproductive, while Moynihan-Baumol would say that the chores government gets stuck with are inherently unproductive — no matter who does them. Government takes over by default and does the best it can. In the private sector, when it becomes costly to provide a service, the supply of that service shrinks drasti-

cally, they cannot increase their productivity, so their costs rise in comparison with goods and services that can become more productive. What are the stagnant services? Mr. Baumol's list includes health care, education, legal services, welfare programs for the poor, postal services, police protection, sanitation, repair services, the performing arts. "Notice anything?" wrote Senator Moynihan in his July paper, "Education, welfare, police, sanitation. All these are public sector activities, or mostly so. . . . Let me offer, then, a subject to Mr. Baumol. Activities with cost disease migrate to the public sector. They must have public subsidy or they will disappear. Hence, in part, our quarter-century turmoil over the cost of government and, now, the size of the deficit." Conservatives such as Milton Friedman have long argued that America has two economies: the private sector, highly productive, and the public sector, highly unproductive. It is undeniable that we Americans spend more on police protection but still get more crime; we spend more on public education but still turn out poorly educated graduates. Mr. Friedman contends that it is the nature of politics and bureaucracy that makes government unproductive, while Moynihan-Baumol would say that the chores government gets stuck with are inherently unproductive — no matter who does them. Government takes over by default and does the best it can. In the private sector, when it becomes costly to provide a service, the supply of that service shrinks drasti-

cally or disappears (thus, vanishing table service at restaurants, thus, vanishing dorms). But some services, such as police and education, are too important to shrink or disappear. This brings us to health care, which has been migrating in the public sector for some time and is about to make the final leap. The problem is essentially cost. The 1990 census found that 13.6 percent of Americans were not covered by private or government health insurance. We can assume that if health insurance were priced low enough, almost all of the uncovered would be covered. But health care prices have soared, quadrupling from 1975 to 1991. In 1990, Americans spent 12 percent of GDP on health care. Mr. Baumol projects that by the year 2040 we will be spending 35 percent. I am not totally convinced by Mr. Baumol. Mozart quartets have become more productive: They can be beamed by satellite to hundreds of millions of viewers, rather than just to a drawing room. Schools and the Postal Service could become more productive if workers and administrators were more exposed to market competition. Even in health care, it is possible to make productivity gains. Output per worker in the pharmaceutical industry rose an average of 1.9 percent annually between 1975 and 1990. Still, Mr. Baumol's basic argument seems sound. And if the handicraft nature of health care makes soaring costs inevitable, then Americans have two choices: Either pay the bill or limit the care. The current system may limit care too brutally, since market forces sometimes determine who gets what

care. But even a government-run system would require harsh choices. What Mr. Baumol is saying is that, like live performances of Mozart quartets, the supply of health care will have to fall — unless we decide it's worth 35 cents of every dollar we earn.

The writer, former editor of the Atlantic Monthly, contributed this comment to The Washington Post.

**IN OUR PAGES: 100, 75 AND 50 YEARS AGO**

**1893: On Orthography**

**PARIS** — For some time past there has been a large party in the Academie Française in favor of a reform of French orthography. The Dictionary Committee has been charged to report on the question. Their report, which has been made by M. Greard, is in favor of a reform of the existing orthography. It is a careful and learned survey of all the anomalies for which there appears to be no logical reason, and for which no irremediable agent as popular custom is alone to blame. The report concludes that many of these anomalies could be removed without in any way transgressing the laws which govern the science of philology.

**1918: Allied Advances**

**PARIS** — The German front continues to yield at vital points under the constant heavy pressure of the Allied forces. Ludendorff, outgeneralled by Marshal Foch, and with his some-

what depleted "poise offensive" armies overwhelmed in several sectors, is still making tremendous sacrifices in human material to cover, or delay by rearguard actions, the retreatments that have been forced upon him. Yesterday [Aug. 22] again these rearguard actions proved futile. The French and British armies continued their magnificent progress, winning another long list of positions.

**1943: Russian Front**

**LONDON** — [From our New York edition.] A Russian column striking north of Khar'kov gained three and one-half miles yesterday [Aug. 22] and captured thirty villages. Moscow announced in a broadcast communication today. The Red Army was last reported within ten miles of the city on that side. The communiqué announced new advances on the Bryansk, Spas Demensk and Doneta Basin fronts. German losses for the day were set at 9,500 men killed and 138 tanks and 32 planes destroyed.

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## CAPITAL MARKETS

### Germany Loses the Role Of Low-Yield Benchmark

**L**ONDON — German government bond yields, for years the lowest in Europe, used to set the floor for European bonds generally. But nothing lasts forever. Yields in several European bond markets either have dropped below German levels or are heading in that direction.

The reason: Investors are coming round to the view that, while inflation seems to have been tamed elsewhere in Europe, Germany is still wrestling with it and will have to keep short-term interest rates high to win the battle.

In the interest-rate futures market, prices currently indicate that short-term rates in many countries are expected to go below those in Germany. The futures contract for three-month French interest rates is anticipating 5.67 percent rates in December, compared with 5.99 percent on Euro marks. Three-month sterling rates are 5.42 percent.

Despite the Bundesbank's stance as the archenemy of inflation, Germany's neighbors have been doing a better job of squeezing it out for some time. Still, investors have been wary about relying on governments to keep it squeezed.

Inflation in the Netherlands has been all but stamped out, but it still took the Dutch until the beginning of this year to get the yield on their 10-year bonds below German levels.

"There's definitely an inertia factor," said Alison Cottrell, an analyst at Midland Global Markets. "It took years for people to believe Dutch inflation would stay low."

Dutch inflation has been stable, at below 5 percent, in at least the past six years, and has been below 2.5 percent for all of 1993. By comparison, Germany's inflation rate has been stuck above 4 percent all year.

Yields in other markets have also dropped faster than in Germany. At the beginning of the year, investors were demanding a 100-basis-point yield premium for holding French rather than German government debt. At the beginning of this month, French yields briefly fell below German levels for the first time. Now, 10-year yields in both markets are at 6.34 percent.

Even British government bonds, which were expected to be under pressure from Britain's £50 billion borrowing requirement this year, have closed the gap with Germany.

The message investors are sending through these shifts in yields is clear: They no longer see Germany as the most inflation-proof market in Europe and are beginning to feel more comfortable lending their money elsewhere.

The amount of new government bonds likely to hit European markets also leaves Germany in the slow lane as far as declining yields are concerned. New German debt is expected to total about \$171 billion this year, twice as much as France's and more than double Britain's.

Their comfort level is likely to grow, with bond yields in Germany declining more slowly than in other markets.

How investors should try to ride that shift is unclear, however, because the Deutsche mark is likely to remain strong while Germany's neighbors slash interest rates.

**Its market is no longer viewed as inflation-proof.**

## Taiwan Market Beckons Foreigners

By Kevin Murphy  
International Herald Tribune

**TAIPEI** — Taiwan is moving to ease foreign investors' access to its stock market through a series of regulatory changes that will eliminate a doubling of the market-share total open to outside funds.

But not everyone is happy with the central bank's decision because the new \$5 billion ceiling for total foreign investment, expected to be announced this week, would equal only 4 percent of Taiwan's market capitalization. The ceiling is less than half the target urged by the country's Securities and Exchange Commission.

And the regulatory changes — which also include doubling the maximum amount of stock individual foreign investors may hold, to \$100 million — may not go far enough to

overturn Taiwan's reputation as a difficult market, according to local analysts.

Lin Yung-guei, manager of S. G. Warburg Securities in Taipei, said the central bank was "taking the view that it will see how the situation goes before it increases it any further."

The differences typify a struggle between a young generation of regulators seeking to internationalize Taiwan's markets and powerful bureaucrats at the central bank giving monetary independence a higher priority than opening the country to foreign capital.

"More and more people are voicing support for a further relaxation of capital flows," said Chen Chung-hsing, general counsel of the SEC, a leading proponent of capital market reform. "This consensus will help the central bank agree this is the way to go."

Taiwan's application to join the General Agreement on Tariffs and Trade and the

significant economic changes that have occurred since the country first allowed foreign investment in the stock market have helped those who support greater liberalization of a capital market that features the world's largest cache of foreign currency reserves.

When it opened to international investment in January 1991, regulators imposed strict limits on foreign ownership and introduced a lengthy approval process for potential foreign investors.

Although the SEC's recent reforms will cut some of the paperwork, the rules remain a practical disincentive to investors who weigh Taiwan's relative value to other regional markets against its lengthy approval process and restrictions on capital movement.

"The moves are a plus, but it's not a quantum leap," said a local analyst. "The moves are a plus, but it's not a quantum leap."

See TAIWAN, Page 11

## Trade Minister Exhorts Japan To Cut Surplus

**TOKYO** — The new trade minister warned Japan on Sunday that it must slash its huge trade surplus or risk destroying the world economy.

"If Japan's trade surplus continues, it will be one factor leading to the destruction of the world economy," Hiroshi Kumagai, minister for international trade and industry, said on television.

The Japanese trade surplus increased in July for the 31st straight month.

On a customs-cleared basis, it jumped to \$11.52 billion from \$9.23 billion in July last year, the Finance Ministry said. The surplus with the United States climbed to \$4.68 billion, from \$3.81 billion a year earlier.

This big imbalance was a key factor in the recent surge of the yen against the dollar, according to market analysts.

"I think that the currency market is sending a warning that if Japan continues with the same behavior, it will be in trouble," Mr. Kumagai during a debate.

Economic Planning Minister

Manne Kubota, also taking part in the debate, indicated that unless Japan took action to reduce its surplus the yen could rise again.

"The yen has not broken through 100 yen to the dollar and it's a good thing that it has stabilized," Mr. Kubota said. "But unless Japan changes its behavior, the yen will rise again."

The yen hit a record high of 100.40 yen to the dollar in Tokyo trading last Tuesday until intervention by the U.S. Federal Reserve Board helped push the currency down to 106 yen by the close of trading in New York on Thursday.

It ended the week in New York at 104.20.

Mr. Kumagai affirmed that the new coalition government under Prime Minister Morihiro Hosokawa planned to draft a package of fiscal and monetary measures by late September aimed at boosting domestic demand and reducing the huge trade surplus.

He said one of the monetary steps could be a reduction in the discount rate, charged on Bank of Japan loans to commercial banks.

## Central Banks Turn to Their Windows

By Lawrence Malkin  
International Herald Tribune

**JACKSON HOLE, Wyoming** — Faced with slow growth throughout the industrialized world, central banks are discovering that the supposedly iron laws of money that served them in the long fight against inflation no longer work so well.

Old-fashioned judgment in steering economies toward clear inflation and growth targets is replacing the monetarist fashion of the 1980s.

As two European monetary crises in as many years have demonstrated, the vast pools of money sloshing around the world's financial markets can quickly overwhelm monetary authorities. In the United States, the breakneck pace of financial innovation is making the old measures of money supply moot; the same is happening more slowly in Europe and Japan as they deregulate.

That was the consensus here this weekend at the Federal Reserve's annual seminar and retreat, which often helps set the financial world's intellectual agenda for the year. Participants included Alan Greenspan, the Fed chairman, and senior members of his staff; representatives of central banks of Europe, Japan and Latin America; academics, and Wall Street economists.

The background for the debate was the rise of money-market funds and mutual funds as savings vehicles outside the banks, whose more deposits and reserves traditionally

provide the fulcrum for any central bank's leverage on the economy.

Corporate borrowers now raise billions in the commercial-paper market and through financial companies outside official supervision, such as GE Capital Corp. Domestic monetary policy can no longer be isolated when an estimated one of every seven stock trades worldwide takes place between people of different countries; cross-border stock holdings were recently estimated by the International Monetary Fund at \$2.5 trillion.

With all this upheaval, Professor Benjamin Friedman of Harvard

said, the Fed's main monetary aggregate, M-2, has thrown off so many false signals that when it shifts, the central bank now is not sure whether to buy or sell bonds to loosen or tighten the economy. No Fed official contradicted him, nor did any central banker challenge his recommendation that instead of being based on statistical rules, economic judgments "need to be made by real people, including some of those sitting in this room."

Mr. Greenspan recently told Congress that the Fed would try to target interest rates adjusted for inflation instead of money supply,

but this technique has been widely questioned. Even his senior monetary economist, Donald Kohn, said it was "no panacea" because "interest rates don't tie down prices." Making monetary policy, he said, is not just a matter of following money measures but of forecasting where the economy is going.

Mr. Kohn suggested a wider range of statistical variables, even though, he said, that risked relying too much on central bankers' judgment, which in the Depression and in the severe inflation of the 1970s resulted in "too little, too late."

This was too much for Alan Meltzer of Carnegie-Mellon University, a longtime monetarist, who demanded that central bankers lay down rules and stick to them. But Stanley Fischer of the Massachusetts Institute of Technology summed up the majority view by replying: "Ordinary people just want the economy to run well, like someone on an airplane. He just wants to get where he's going and doesn't care how much the pilot jiggles the stick."

Mr. Greenspan, listening intently, replied that following the elaborate sets of rules advanced by some monetarists would really mean setting policy by the seat-of-the-pants discretion of the authorities, who could pick and choose among them. He would only permit himself to wonder out loud: "Where is the dividing line between rules and

## Fed Lets Rate Policy Stand

Washington Post Service

**WASHINGTON** — At a meeting early last month, the Federal Reserve System's policymakers left unchanged the policy they adopted in May that leaned toward raising rather than lowering interest rates, according to minutes of the meeting released Friday.

However, the members of the central bank's policymaking group, the Federal Open Market Committee, made it plain they did not expect any change in rate soon, as inflation was lower than it was earlier in the year and economic growth seemed likely to remain moderate.

The minutes disclosed no sharp differences of opinion like those expressed at the May meeting, when the committee decided for the first time since mid-1989 to give the Fed chairman, Alan Greenspan, more leeway to raise rates than to lower them.

At last month's session, the only dissent came from Fed board member Wayne Angell, who wanted an immediate increase in the Fed's 3 percent target for the federal funds rate, the interest rate banks charge each other for overnight loans. Mr. Angell has dissented at the last several meetings, according to the minutes, arguing that the central bank was pumping too much money into the nation's banking system to be consistent with keeping inflation in check.

## London Notebook

### Real Estate Firms Land Investors

In the last 12 months, shares in Britain's leading real estate companies have nearly doubled in value. "We've been very bullish on the sector," said Alan Carter, an analyst at James Capel. In fact, he insisted that the shares could still rank as "unbelievably cheap."

Maybe not. True, central London office buildings are no longer shedding one-third of their value per year. But the current slower decline is scarcely the stuff of an investor's dreams. "It has now settled down to a comfortable minus 20 percent pace," said Tony Key, research director at Investment Property Databank.

Mr. Key said that his clients, large institutional buyers of buildings, are keeping their checkbooks locked in their drawers. The same clearly cannot be said for those wishing merely to buy shares in developers and not the actual girders and glass.

"Nine months ago, when the sector was really bombed out, it was difficult to persuade anyone to buy," said Nareesh Gudka, a property share analyst with Paribas Capital Markets. Now, in the wake of a surge in share prices, he said it was hard to persuade anyone to sell and take their profits. "Everyone is afraid they will miss out on the rally."

But with shares in such companies as Land Securities changing hands at prices nearly 30 percent above the value of the buildings it owns, many observers insisted the rally had already gone too far.

### Australian Tourists Shine

In spite of the predictably poor summer weather, guidebook-clutching, lost-looking tourists from all over the world are flooding the streets of London, according to the London Tourist Board, there are more of them than any year since 1990.

Not content merely to count its bounty, the Tourist Board this year decided to test it. The results were sobering.

Some tourist thought Knightsbridge traffic from one side of the Thames to the other. Even far fewer of them knew that London's tallest building is neither "A. Nelson's Column" nor "C. The Lloyd's Building," but in fact is "B. Canary Wharf Tower."

Overall, the Australians achieved the highest number of perfect scores, getting all 11 questions right. They were followed by Germans, Americans and Canadians.

### Morgan: Clouds Over Ukraine

In what may be the costliest sell recommendation ever made by a finance house, Morgan Stanley in London last week issued an exhaustive 24-page report on Ukraine and backed it up with a free 15-minute video starting the firm's chief strategist, David Roche.

"I guess it is a big negative message," said James Lister-Cheese, the report's co-author. It is hard to call it anything else. After a series of on-screen interviews with officials from the World Bank, the Ukrainian central bank and Finance Ministry, the camera closes in on a statue of Lenin. "This man's ideas died because he failed to meet the needs of people," Mr. Roche summed up. "All the signs are the Ukraine's present government doesn't know how to either."

### 2,000 Guineas for Folly

There are not many fat, or even slim commissions available for seasoned British architects these days, but for students with 1,000 hours to spare there is hope. Next month, a prize of 2,000 guineas (£2,300, or \$3,476) will be awarded to the best entry in the Folly Fellowship Lawson-Price Measured Drawings Award.

Why value the prize in a long defunct currency unit? "Because we are the Folly Fellowship," said Gwyn Huddy, the organization's president, hinting at the oddity of it all.

By holding the competition, the fellowship hopes to build up an archive of meticulously detailed drawings such that if some of Britain's vast stock of whimsical, built-for-pleasure-not-purpose architectural follies should fall to ruin they could be recreated.

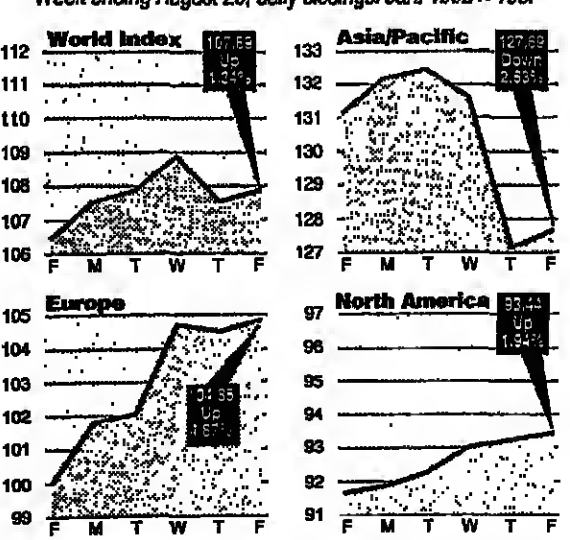
Largely built in the folly heyday of 1720 to 1830, many of them they range from miniature Greek temples to richly ornamented bridges that strictly speaking go from nowhere to nowhere.

Erik Ipsen



## THE TRIB INDEX

International Herald Tribune World Stock Index, composed of 230 internationally investable stocks from 20 countries, compiled by Bloomberg Business News. Week ending August 20, daily closings. Jan. 1992 = 100.



| Industrial Sectors/Weekend close | 80000  | 81000  | % change | 82000  | 83000  | % change |
|----------------------------------|--------|--------|----------|--------|--------|----------|
| Energy                           | 105.17 | 104.25 | +0.89    | 103.27 | 101.78 | +1.46    |
| Utilities                        | 114.92 | 115.56 | -0.55    | 117.01 | 105.02 | +1.88    |
| Finance                          | 118.93 | 120.24 | -1.09    | 120.06 | 84.82  | +6.18    |
| Services                         | 115.52 | 114.73 | +0.69    | 109.76 | 106.18 | +3.37    |

The index tracks U.S. dollar values of stocks in: Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the top 10 stocks are tracked.

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## CURRENCY RATES

| Cross Rates         | Aug. 20  |
|---------------------|----------|
| Australian dollar   | 1.58     |
| British pound       | 1.62     |
| Canadian dollar     | 0.72     |
| Deutsche mark       | 1.54     |
| French franc        | 166.50   |
| Italian lira        | 1,936.00 |
| Japanese yen        | 164.00   |
| Netherlands guilder | 2.20     |
| New Zealand dollar  | 1.25     |
| Portuguese escudo   | 200.48   |
| Spanish peseta      | 166.64   |
| Swedish krona       | 8.46     |
| Swiss franc         | 1.48     |
| Thai baht           | 50.00    |
| U.S. dollar         | 1.00     |

| Other Dollar Values | Aug. 20  |
|---------------------|----------|
| British pound       | 1.62     |
| Canadian dollar     | 0.72     |
| Deutsche mark       | 1.54     |
| French franc        | 166.50   |
| Italian lira        | 1,936.00 |
| Japanese yen        | 164.00   |
| Netherlands guilder | 2.20     |
| New Zealand dollar  | 1.25     |
| Portuguese escudo   | 200.48   |
| Spanish peseta      | 166.64   |
| Swedish krona       | 8.46     |
| Swiss franc         | 1.48     |
| Thai baht           | 50.00    |
| U.S. dollar         | 1.00     |

Source: ING Bank (Amsterdam); Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Agence France Presse (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR). Other data from Reuters and AP.

## Japan's soaring yen

### Waiting for peace in Bosnia

### Leftist terrorism in Germany

### Attacks on Israelis in Lebanon

### Transformation in Russia

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| Portugal         | Esc. 47,000               | 23,500                  | 11,750                    |
| Spain            | Pes. 48,000               | 24,000                  | 12,000                    |
| Sweden           | S.Kr. 55,000              | 27,500                  | 13,750                    |
| Switzerland      | S.F. 510                  | 255                     | 127                       |
| U.S.             | \$ 600                    | 300                     | 150                       |

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WEEKLY INTERNATIONAL BOND PRICES

Provided by Credit Suisse First Boston Limited, London, Tel. 322 40 00. Prices may vary according to market conditions and other factors. August 20

Canadian Dollars

Table of Canadian bond prices with columns for Issuer, Con, Mat Price, Yld, and Trfy.

Table of European bond prices with columns for Issuer, Con, Mat Price, Yld, and Trfy.

Table of Japanese bond prices with columns for Issuer, Con, Mat Price, Yld, and Trfy.

Table of Australian bond prices with columns for Issuer, Con, Mat Price, Yld, and Trfy.

Table of New Zealand bond prices with columns for Issuer, Con, Mat Price, Yld, and Trfy.

Table of Hong Kong bond prices with columns for Issuer, Con, Mat Price, Yld, and Trfy.

Table of South African bond prices with columns for Issuer, Con, Mat Price, Yld, and Trfy.

Table of South Korean bond prices with columns for Issuer, Con, Mat Price, Yld, and Trfy.

Table of Indonesian bond prices with columns for Issuer, Con, Mat Price, Yld, and Trfy.

Table of other international bond prices with columns for Issuer, Con, Mat Price, Yld, and Trfy.

MUTUAL FUNDS

Figures as of close of trading Friday, August 20.

Table of mutual fund prices for the first column, including fund names and prices.

Table of mutual fund prices for the second column.

Table of mutual fund prices for the third column.

Table of mutual fund prices for the fourth column.

Table of mutual fund prices for the fifth column.

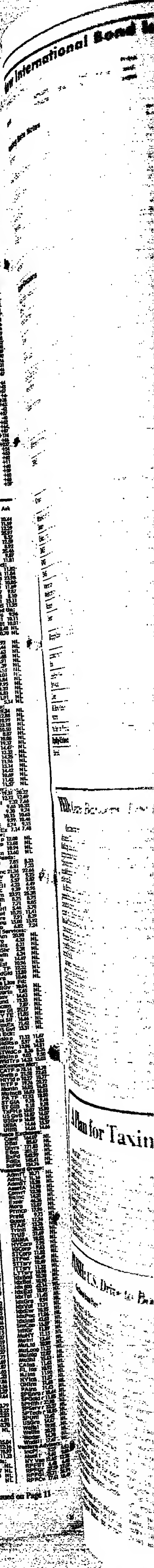
Table of mutual fund prices for the sixth column.

Table of mutual fund prices for the seventh column.

Table of mutual fund prices for the eighth column.

Table of mutual fund prices for the ninth column.

Table of mutual fund prices for the tenth column.





New International Bond Issues

Table with columns: Issuer, Amount (billions), Maturity, Coupon %, Price, and Terms. Includes sections for Floating Rate Notes, Fixed-Coupons, and Equity-Linked.

U.S. Growth Hit by Slump In Building

By Jeanne Pinder

NEW YORK — Construction of office buildings, normally an important engine of American economic recovery and a big creator of jobs, is continuing to slump and acting as a drag on the already slow recovery, economists said.

In every other business cycle over the last 20 years, construction, especially commercial development, has helped lead the economy into recovery. But this time, the overbuilding of the 1980s and the subsequent crash in property values have slammed the commercial real estate industry into its worst depression since the 1930s.

While the recession has hurt all American construction, the hardest-hit part has been office space, where the worst of the overbuilding took place in the 1980s.

At the height of the boom in 1985, office construction was running about \$7 billion a year in constant 1987 dollars, according to the Census Bureau. By the second quarter of this year, that had fallen to an annual rate of \$1.3 billion, the lowest level since 1979.

Construction done under contract normally contributes about 10 percent of the new jobs in the first year of a recovery, said David A. Wynn, research director at DRU/McGraw Hill, an economic consulting firm.

Prospects remain grim for many reasons: the slackness of the overall economic recovery, the huge backlog of overbuilding, the global economic slowdown, the trend toward cutting corporate payoffs, the decline in military spending in industries since the Cold War ended and changes in technology and demographics that are altering the American work force.

The office-building market is not likely to see significant construction until 1997 at the earliest, said David G. Shulman, a managing director of Salomon Brothers Inc., who predicts the real estate collapse.

Corporations Gear Up to Sell Bonds

Compiled by Our Staff From Dispatches

NEW YORK — With U.S. bond yields trading at historic lows, corporate borrowers are expected to jump into the market this week to take advantage of rates that seem to be near their bottoms.

Corporate issuance this week is expected to rise from the \$7.43 billion of bonds sold last week. About \$810 million of junk bonds are on tap as part of that, according to MCM CorporateWatch.

U.S. CREDIT MARKETS

In the Treasury market last week, the 30-year Treasury bond ended the week at a yield of 6.22 percent, down from 6.35 percent a week earlier. Its price was up 27/32, to 100 14/32.

Shorter maturities, while also rising, turned in less impressive performances because of technical factors favoring the long bond. Still, there has been little to suggest a quick turnaround to the rally that began last autumn.

Even if economic growth comes around in the second half of the year, people just don't believe there's a 30 percent chance, said Scott Jacobson, head of fixed-income securities research at Piper Capital Management, which has about \$11 billion of assets.

One way to measure the market's expectation of inflation is the difference between yields on 30-year and two-year notes. Investors worried about inflation demand premium returns to lock up their money for relatively long periods.

With that outlook in mind, corporations are reaching out to borrowers. "If you're going to do any financing at all you can't afford to sit on the sidelines," said Earl Chism, treasurer of Potomac Electric. On Thursday, the utility sold \$100 million of 30-year bonds at a yield of 7 percent, or 78 basis points more than the 30-year Treasury bond.

The current 30-year Treasury issue is being bolstered by supply concerns and speculative buying, analysts said.

Traders are essentially placing bets on the magnitude of scarcity premium," said Fred Sturm, economist at Fuji Securities in Chicago. Only about \$11 billion of the new bond were auctioned Aug. 12 and the market will have to wait for six months, up from the previous three, for the next sale. The Treasury has been shuffling away from long-term borrowings to reduce its interest costs.

The previous 30-year bond had about \$18 billion issued between its February auction and its reopening in May, said Jim Park with Economic Advisors Inc. in Boston.

The Treasury said in May it would sell about \$22 billion in 30-year bonds a year, down from as much as \$46.75 billion in 1991.

Some of the investors who own the new bonds include Japanese, who have as much as \$3 billion of the \$11 billion in 30-year bonds auctioned, said Andrew Brenner, senior trader at Nomura Securities International.

"We saw a lot of buying by Japanese accounts for the new bonds," he said. Japanese investors could sell at a profit because of the dollar's recent ascent against the yen, as well as the rise in the 30-year bond.

Some investors and traders do not like what they see at the long end of the Treasury market. "Investors have to be careful," said Michael Martino, chief investment officer for The New England Fund Group, a \$4.5 billion investment company in Boston. "Don't just buy the long bonds. They run too much risk."

Moody's Downgrades Apple

Compiled by Our Staff From Dispatches

NEW YORK — Apple Computer Inc.'s credit ratings were lowered by Moody's Investors Service Inc., which cited the company's third-quarter loss of \$188.3 million, announced last month, and what the rating service said were slim prospects for a quick recovery.

Moody's announced the cuts late Friday, a day after Standard & Poor's Corp. had taken similar action on Apple's debt ratings. Earlier on Friday, Moody's downgraded \$28 billion of debt and preferred stock of International Business Machines Corp., saying IBM faced business, operating and financial risk. IBM and Apple are jointly developing several products.

An Apple spokesman said although the company was "obviously disappointed" the move would not change Apple's operating plans, though it would increase borrowing costs "a little." She said Apple had more than \$1 billion in cash — "far more than we have debt."

Moody's downgraded Apple's short-term debt to Prime-2 from Prime-1 and its \$500 million senior shelf registration to Baa1 from A2. The loss of the Prime-1 rating will make it hard to sell commercial paper to money-market mutual funds, key short-term investors. (Bloomberg, Reuters)

The Week Ahead: World Economic Calendar, Aug. 23 - 28

Table with columns: Date, Event, Location. Lists economic events for Europe, Asia-Pacific, and The Americas from Aug 23 to 28.

FED: Central Bankers Try to Navigate in New World

Continued from Page 7

discretion?" But it was clear that he had long since abandoned faith in a simple monetary target in favor of "the wide variety of macroeconomic and financial variables" consulted by the Fed.

In Europe, the conundrum appeared in a different form, because monetary authorities have concentrated on a different variable that has also failed them — the value of their currencies in the European Monetary System, which is supported by interest rates set by the central banks.

European representatives will sort out the wreckage of the EMS currency grid, were understandably more reluctant to advance new operational methods. But one lesson was offered by Andrew Crockett, international director of the Bank of England: "One can have an independent monetary policy or an exchange-rate objective, but it is difficult to have both."

Mr. Crockett added: "What we will do a better job if they know what the central bank is trying to do." He suggested a patient policy

of rebuilding the EMS by avoiding commitment to any particular exchange rate and making continuous adjustments to the system.

Central banks, he said, should adopt explicit inflation targets that would unite European policies against the members of the EMS had gradually realigned their policies through practice. It should be, he said, "like learning to ride a bicycle again, removing the training wheels only after you no longer need them."

This is a more pragmatic Anglo-Saxon path of leading Europe's economies on a path toward convergence before merging them, as opposed to the Continental approach, which seeks to merge first and by trying to promote convergence afterward.

France is the most prominent adherent of the latter approach. Germany stands somewhere in between, partly because it is still battling inflation rather than recession but also because the slow pace of its bank deregulation less the Bundesbank retain control over monetary aggregates.

Hans Tietmeyer, the Bundesbank vice president who is to become its chairman in October, canceled plans to attend the conference but sent a message in which he favored rebuilding the EMS by having all its central banks jointly set targets for their domestic money supply, to rebuild the confidence of the markets.

But all these methods put the onus on the central bank and, in the opinion of participants on both sides of the Atlantic, let politicians off too lightly as well as blunting through overseas the most important weapon of a central bank: its credibility.

"Our policies must confront the problems presented by low-wage workers trading with our economies, and there is nothing that monetary policy can do about that," said Richard Syros, president of the Federal Reserve Bank of Boston. "How do we tell that to politicians, who do not want to face these problems that affect the incomes of their constituents?"

The chancellor of the Exchequer, Kenneth Clarke, in November is to announce the government's budget for the year beginning in April 1994.

Mr. Portillo did not say whether direct or indirect taxes would be more likely to be raised, but he stressed that the Conservative Party was opposed on principle to high levels of direct taxation.

Plans already announced to put a value-added tax on household fuel bills have angered some Conservative voters, who say the move alienated voters. But Prime Minister John Major's party is also worried that further cuts in public spending would be equally unpopular.

China to Slam the Brake on Bonds

Compiled by Our Staff From Dispatches

BEIJING — In its latest move to reassert economic control and keep funds in the banking system, China will sharply restrict the number of bonds that can be issued by corporations this year and block ones for new projects, an official newspaper said Sunday.

China Daily quoted a central bank official as saying the government would "slash" this year's bond issue authorization target of 20 billion yuan (\$3.5 billion), but that the new target had "not been decided yet."

The bank official said, "If all the 20 billion in corporate bonds flowed into the hands of residents, bank savings would be reduced to a dangerously low level."

U.K. Might Need Tax Increases, Official Asserts

Restored

LONDON — A financial official left the door open Sunday for tax increases to help curb public debt.

"I cannot say now that come November we will not need to see the rate of public borrowing falling faster, and that would mean we would have to have some tax increases," Michael Portillo, chief secretary to the Treasury, said on television.

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A Plan for Taxing the System?

Continued from Page 7

JACKSON HOLE, Wyoming — One of the proposals that has been made to slow floods of speculative capital such as those that overwhelmed the European Monetary System this summer is a 1 percent tax on foreign-exchange transactions. But would such a levy have made any difference to George Soros when he made more than \$1 billion speculating against the pound last year?

It would only have made things worse, Robert A. Johnson, one of the two co-managers of Mr. Soros's funds, said at a conference here. In such a

case, he said, "We might have waited longer, but we would only have been waiting until the dis-equilibrium was greater, and the adjustment would have been larger and more brutal."

Andrew Crockett, the Bank of England's executive director for international affairs, said he wanted to create a system in which there would be "no one-way bet for speculators" — a principle with which Mr. Johnson, who had no qualms about identifying himself as a speculator, said he was in full accord.

PUSH: U.S. Drive to Boost Exports

Continued from Page 7

weak on behalf of Boeing Co. and McDonnell Douglas Corp. marked a new level of commercial intervention by the White House. Mr. Clinton was rewarded by King Fahd's decision to purchase up to 60 U.S. fighters, according to industry officials, an order that was to have gone to the Airbus Industrie. No official announcement has been made.

The administration's effort is apt to alarm Europe and Japan. "If it's just high-level salesmanship that's one thing, but if it gets into a subsidy war or discriminatory practices that's another," said William M. Barry, president of the European American Chamber of Commerce, which represents European companies in America.

The promotion policy includes a larger, more strategic role for the Export-Import Bank, the primary

source of federal export financing support, according to Kenneth D. Brody, chairman of the agency.

Last Thursday, the bank's directors agreed preliminarily to provide up to \$6.2 billion in financing to support Boeing's bid to the Saudis, most of it in the form of federal loan guarantees. "If McDonnell Douglas gets a piece of this, we'd respond to their request, too," a bank spokesman said.

The Export-Import Bank raised its customary loan fee, payable by the Saudis, from 2 percent of the loan to 4 percent, more than enough to cover costs, Mr. Brody said. "We want to do more with exporters and give a better break to taxpayers at the same time," he said.

The Export-Import Bank's budget request of \$7.7 billion was made possible by \$12.5 billion in loans, loan guarantees and other export financing support, bank officials said.

BusinessWeek advertisement. Includes text: 'This week's topics: Will Yen Shock Open Japan? AT&T's Global Cellular Bet... Now available at your newsstand!'

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ELYSEES MONETAIRE, SICAV advertisement. Includes text: 'Société d'Investissement à Capital Variable. Siège Social: 8, Avenue Marie-Thérèse / L2132 Luxembourg...'

ASWAN OBEROI HOTEL advertisement. Includes text: 'INVITATION FOR BIDS THE ASWAN OBEROI HOTEL OWNED BY THE EGYPTIAN GENERAL COMPANY FOR TOURISM AND HOTELS...'



NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, August 20.

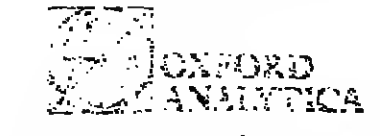
Table with multiple columns listing stock symbols, sales volume, high/low/close prices, and net change. Includes sub-sections for OTC Consolidated trading and various market segments.

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WORLD STOCKS IN REVIEW

Amsterdam

The Amsterdam Stock Exchange moved higher last week with the CBS All-Share Index closing at 246.2 points, up from 243 the previous Friday.

Brokers said the market was boosted by recovery hopes, although some consolidation might be in store this week.

Shipping group Nedlloyd slumped 6 guilders to 42 guilders after announcing a first-half net loss of 116 million guilders.

Frankfurt The stock exchange gained 0.8 percent in a week of heavy trading with the DAX Index closing at 1,922.68 after reaching a three-year high of 1,946.39 on Thursday.

After a slight drop early in the week, the DAX index rose 25.55 points Wednesday, when foreign investors showed a lively interest in the options market, and gained 3.26 points Thursday.

The DAX fell 16.30 points Friday on profit-taking.

Gains were registered by automobile manufacturers, including BMW, whose shares rose to 568.50 Deutsche marks Friday, compared with last week's close of 563.

But Volkswagen, still rocked by allegations that its director of purchasing, Josef Ignacio Lopez de Arana, had been involved in industrial espionage, saw its shares fall to 385.60 from 399.50.

Hong Kong Stocks soared to record highs during the week on good political and economic news, with the Hang Seng Index gaining 153.11 points, or 2.1 percent, to close at 7,545.36.

Investors seemed happy with the cordial atmosphere at the Chinese-British negotiations over Hong Kong's political future in Beijing.

London The stock market reached record highs during the week, boosted by hopes of interest-rate cuts and a jump in pharmaceutical shares.

Profit-taking reduced the rise at the end of the week with the Financial Times-Stock Exchange 100-share index closing 47.5 points higher, at 3,057.60. Its closing high was 3,089.20 on Wednesday.

Glaxo Holdings gained 73 pence to 587, Wellcome rose 103 pence to 745, SmithKline Beecham climbed 19 pence to 451, and Zeneca rose 38 pence to 701.

Henry Royce, which denied reports last week that it was considering a temporary closure of its theme park near Paris, fell 95 pence to 640.

Milan Shares had a strong week, with the Milan Index rising 4.82 percent, to 11,043 points, in heavy trading.

Telecommunications stocks were in heavy demand, with telephone company Stet rising 12 percent and SIP gaining 9 percent.

Paris The Bourse paused for breath after the collapse that followed the reorganization of

the European Monetary System at the start of the month, brokers said.

The CAC-40 Index fell almost 20 points, or just under 1 percent, to 2,128.20, but was still 6.6 percent higher than at the end of July.

Two quarter-point cuts in the Bank of France's overnight lending rates were less than the market had been hoping for on the interest-rate front.

Singapore The market closed at a record high Friday as shares climbed for the third consecutive week.

The Straits Times industrial index closed at 1,972.27, a gain of 54.40 points for the week. The broader SES index firmed 13.76 points, to 501.40.

The strong showing of the previous two weeks resumed after an announcement by Singapore Telecom Tuesday that it would be offering between 900 million and 1.2 billion Singapore dollars worth of shares in October.

The float was smaller than expected and thus less of a threat to the market's liquidity.

"There was good news for the market three weeks in row," a dealer said. Better-than-expected second-quarter economic performance and an excellent first-half performance by the top four local banks paved the way.

Tokyo Share prices lost ground on a rapid appreciation of the yen and the failure of the new government to present concrete economic remedies, dealers said.

The Nikkei Stock Average of 225 issues, which gained 387.23 points the previous week, lost 137.91, or 0.66 percent, to close at 20,607.26.

The Tokyo Stock Price Index, based on all issues listed on the first section of the exchange, ended at 1,659.19 points, off 23.89 for the week.

The Nikkei advanced Monday but fell for the next four days. Tuesday's drop was triggered by the surge of the yen against the dollar, which was seen as depressing Japanese export prices and preventing the recession economy from picking up.

The dollar recovered some ground against the yen Friday on official U.S. disapproval of a stronger yen and Federal Reserve Board intervention.

But the sharp fluctuations of exchange rates left many market players uncertain.

"The market is still wondering how it should secure a higher yen or a lower yen," a Tokyo Securities Co. dealer said.

Zurich Shares ended an up-and-down week with a small gain, helped by good Credit Suisse results and strength on Wall Street.

The hesitant tone was explained by concern about the instability of the major international currencies.

The Swiss Performance Index gained 7.95 percent, to close Friday at 1,565.45.

The market was encouraged by a 67 percent increase in net consolidated profit at Credit Suisse for the first six months.

Credit Suisse shares gained 65 Swiss francs during the week, ending at 2,920.

TAIWAN: Taipei Gears Up to Improve Foreigners' Access to Its Markets

Continued from Page 7

turn-key financial aid, said Jonathan Ross, head of JFO Asia Securities Taiwan Ltd. The forest-related restrictions are still daunting for most people.

Of close to \$2 billion approved for investment at the end of June, analysts say only about half has been invested.

"As far as forestry markets are concerned, Taiwan is referred to negatively," said Mr. Chen. "I know our central restrictions are considered burdensome."

The need for extensive scrutiny of market contracts was attributed to the central bank's belief at the time that a highly speculative and liquid stock market hardly needed a fresh injection of funds. Nor was the bank willing to drop its tradi-

Japan to Propose Pipeline

TOKYO — Japan plans to propose a major oil and gas pipeline from the former Soviet Central Asia through China to the Pacific, a newspaper reported Sunday.

The Mainichi Shimbun, quoting government sources, said Japan would propose that China, Kazakhstan, Uzbekistan and Turkmenistan join it in a project to build the 6,000-kilometer (3,700-mile) pipeline by the turn of the century.

"We will be applying for GATT membership as a developed country," said Mr. Chen. "Its members will be asking us to do as much as we can, and our financial markets are likely to be of great interest. We have to prepare for the worst."

Taiwan has taken numerous steps to open its financial markets in recent years, liberalizing its banking, stock market and insurance sectors to mixed review from foreign groups trying to enter.

Recently, the SEC moved to allow foreign futures traders to offer their services in the Taiwan market, as a prelude to developing a domestic futures market and a further attempt to drive illegal traders out of a big business.

While the SEC is working to develop stock market index and government debt interest futures to help build a sophisticated market, interest in increasing foreign investment, Taiwan securities' relative value will be the true test of foreign enthusiasm.

At the time of its initial opening, Taiwan's stock market was overvalued in regional comparison and its small foreign float provided little incentive to enter the market.

The combination of weakened exports, tighter liquidity and concern that the long-ruling Nationalist Party, or Kuomintang, faces an internal split at the same time its opposition is gaining in public support has contributed to lackluster prices on the stock market.

But some brokers said a turnaround in sentiment was possible, based on an improving export performance and Taiwan companies' greater involvement in China's rapid growth.

"Even though local investors aren't impressed with 6 percent growth, it's not too bad for foreign investors," said Mr. Lin.

He added that many industrial companies' valuations were now in line with regional competitors.

SAUDI: From Oil Fortune to (Relatively) Hard Times

Continued from Page 1

entire annual budget of Saudi Arabia — was responsible for most of the country's current difficulties.

But the IMF studies questioned that argument. Soon after the United Nations banned the sale of Iraqi crude oil, Saudi Arabia's oil output jumped to 8 million barrels daily from 5.5 million, the studies showed. That extra oil was worth an additional \$24 billion in revenue for the Saudis in 1991, and at least the same amount in later years.

Saudi Arabia has used an array of strategies to postpone the day of reckoning, according to officials and private analysts.

The Saudis began by drawing on the huge dollar reserves built up when oil prices were high.

According to official Saudi statistics, the foreign assets and currency reserves of the central bank fell to \$51 billion at the end of last year from \$121 billion in 1991.

But that lower figure was overstated, private analysts and Saudi officials said. It included as much as \$20 billion in loans to Iraq that are unlikely to be collected.

Much of the rest is unavailable to the Saudis, the IMF said, because it must be set aside to back the Saudi currency and to finance trade deals.

MUTUAL FUNDS

Continued

Table with columns: Fund Name, Bid, Ask, % Chg, etc. Includes funds like Vanguard, Fidelity, etc.

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Euromarkets At a Glance

European Yields

Table of European yields for various currencies and maturities.

Weekly Sales

Table of weekly sales for various commodities.

Libor Rates

Table of Libor rates for various currencies.

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, August 20 (Continued)

Large table of NASDAQ national market data including various stock prices and market statistics.

Stocks in % High Low Close Chg

Table of stock prices and market statistics for various companies.

Advertisement for Turkish Airlines featuring a map of Istanbul and the text: 'ISTANBUL Make a point of it. With Turkish Airlines. For centuries, Istanbul was the centre of ancient civilisation. And today it's easy to see why. Although much has changed, Istanbul is still very central when travelling to the Middle East or to Asia. And quite possibly very central to the enjoyment of your trip as well. Especially on Turkish Airlines. You'll have the comfort of our modern fleet of planes which offer you extra leg room and wide Business Class seating. Add to this our warm Turkish hospitality, and you just may find yourself thinking we're an important centre of modern civilisation too.' Includes Turkish Airlines logo and slogan 'NEW HORIZONS IN COMFORT'.



SHORT COVER

Waigel Presses Case for Frankfurt

BONN (Knight-Ridder) — Finance Minister Theo Waigel said in an interview to be published Monday he would tell his EC partners that monetary union will only happen if Frankfurt is chosen as the site of the future European central bank.

Asked by the news magazine Focus from which city the future European currency would be guided and guarded, Mr. Waigel said: "From Frankfurt am Main, of course." Frankfurt is home to the Bundesbank.

He added: "We will make that very clear to our partners. Either the European central bank will come to Frankfurt, or this entire enterprise is not going to happen."

The European central bank is expected to be set up in 1996 as a successor of the European Monetary Institute that will be created Jan. 1, 1994. No site has been determined for the EMI.

Mr. Waigel also said that even if the timetable of European monetary union is changed, the Maastricht treaty's criteria to converge European Community economies would not be altered.

Malaysian Chip Shipment Is Stolen

KUALA LUMPUR (AP) — A Malaysian electronics company has reported that 1.7 million ringgit (\$666,000) worth of microchips were stolen while being shipped to the United States, the police said Sunday.

The chips were shipped between April 22 and July 22. A Siemens AG unit in California recently notified its Malaysian subsidiary, Siemens Components Pte. of the theft, the authorities said.

Police suspect the chips were stolen at Kuala Lumpur's airport. On Thursday, 30,000 ringgit of chips were stolen at the airport's cargo complex.

EC Lends Hope to German Miners

BONN (Reuters) — The European Community competition commissioner, Karel van Miert, has provided a last hope to 700 striking miners in Eastern Germany by saying the Community was not certain to approve a deal under which their mine is due for closure.

Several thousand people held protests at the Bischofferode potash mine over plans to shut it at the end of the year as part of a merger of its parent, Mitteldeutsche Kali AG with Kali & Salz AG, a unit of BASF AG.

The newsweekly Der Spiegel quoted Mr. Van Miert as saying that the EC Commission had serious doubts about the merger. It could not approve it in its present form because of worries that there would only be two major potash producers left dominating the European market.

NTT Puts Off New Digital Network

TOKYO (AP) — Nippon Telegraph & Telephone Corp. has postponed the commercial development of a new digital telecommunications network because of uncertain demand, a press report said over the weekend.

Nihon Keizai Shinbun said the start of the broadband integrated-services digital network service on a commercial basis would be delayed until 1998, three years later than planned.

The new network can send data, including pictures, through a digital network 100 times faster than the current system. NTT planned to invest 45 trillion yen (\$432 billion) by 2015 in the project, which the government also promised to promote as part of the development of nation's infrastructure.

EUROPE: Can Week of Meetings Cure What Ails Germany and France?

Continued from Page 1 along," said Igo Kibboom, head of the German-French department of the German Society for Foreign Affairs, in Bonn.

At the same time, both sides are expected to press their contradictory positions on a world trade pact and on the speed of European integration.

The Bundesbank, which threw Europe's fragile exchange-rate mechanism into disarray when it declined to cut its discount rate in July, again faces the dilemma of easing credit to help Germany's neighbors or standing pat to keep pressure on Bonn, whose runaway spending on German reunification

is a major obstacle on the road to lower interest rates. "It would look suspicious to have sacrificed the European exchange-rate system for a four-week delay in interest rate cuts," said Holger Fahrkrug, a German economist at UBS Phillips & Drew.

He predicted that the Bundesbank would wait a few weeks to cut rates. A French banker, who declined to be identified, agreed, saying: "The Bundesbank hesitates to act under political pressure. At the same time, if both the Germans and the French are saying the timing of the meetings is coincidence, I'd wager to say that it isn't."

The French-German partnership was strained to the breaking point during the crisis, and in the following weeks, French and German officials have repeatedly attacked each other's visions of the new European order.

Then, last week, German officials scratched another old wound: France's supposed intransigence efforts to forge a world trade pact under the General Agreement on Tariffs and Trade. Paris has resisted the so-called Blair House accord between the European Community and the United States that envisions limits on export subsidies.

Officially, neither side is showing any movement on the trade impasse. Unofficially, some observers see a compromise coming.

BANKS: For Millions of Americans, the New Money Game Is the Answer

Continued from Page 1 Stock Exchange, and analysts say their growth is largely responsible for driving stock prices to recent highs.

Another factor is the emergence of specialized finance companies that are so efficient they can write loans cheaper than most banks. The second-largest lender in the country is not a bank at all, but a division of General Electric Co. that runs the credit card operation at Montgomery Ward & Co. It finances credit purchases of Apple computers and owns the nation's largest fleet of cargo ships, rail cars and trucks.

A third factor is the spread of what Wall Street calls "securitization," a process by which lenders bundle mortgages and other loans and sell them as a group to investors who receive the monthly loan payments. Today, 80 percent of all mortgages, 50 percent of college loans and 15 percent of car loans are sold in this fashion, helping to transform banks from providers of money to middlemen and brokers.

Each of these developments has been driven by new technology that allows almost anyone to move money around the economy at the touch of a button. Automated teller machines, toll-free telephone numbers and computers that can approve simple consumer loans threaten to make the corner branch bank obsolete. And sophisticated computer systems make it possible to pool and sell loans in ways that would have been unthinkable in an era of paper records.

Providing the energy for this financial revolution has been a new, entrepreneurial breed of money managers, working through highly specialized firms, who have picked off one piece of the banking business after another.

Lewis Ranieri, the Wall Street bond trader who helped create the securitized mortgage market, began a recent interview by outlining the flow of funds out of banks and tucking off the various loan busi-

nesses that those institutions no longer dominate: big corporate lending, mortgages, real estate loans, college loans, auto loans, credit card, installment loans, equipment leasing.

"One of these days the banks will wake up and wonder, 'What business is left?'" he said. The shift of funds from banks to mutual funds has created a whole new way to recycle money through the economy.

Unlike banks, mutual funds are prohibited by law from making loans. Instead, they use investors' money to buy securities traded on an open market. So Wall Street has developed a bewildering array of new stocks, bonds and other securities. All accomplish essentially the same purpose of taking money from mutual funds, pension funds and other large investors and passing it on to other financial intermediaries, which lend it to consumers or businesses.

Despite its complexity, this new system for recycling money from savers to borrowers turned out to be more efficient than the simpler under-one-roof mechanism offered by the banks.

To pay for their expensive network of branch offices, check clearing operations and loan officers, a bank needs a "spread" of 3 to 4 percentage points between what it pays to savers as interest on their money at the deposit window and what it collects from borrowers at the loan window. By contrast, their new high-tech competitors need less than half that spread to make a profit recycling savings into loans and investments.

"Banks have an antiquated distribution system that is two to three times as expensive as the securities market," said Jerome Kenney, executive vice president of Merrill Lynch, the biggest brokerage firm on Wall Street.

Because of the federal deposit insurance that stands behind a bank account, the government strictly regulates what banks can

do and how they can do it. In recent years, the cost of complying with those regulations has increased at a time when many depositors have concluded that they could do better on the insurance. This combination of higher costs and a lower volume of business has left banks in a competitive squeeze.

Regulation also has dulled the competitive instincts of the banking industry. Bankers concede that, after living for years with government subsidy and supervision, their industry is saddled with a business mentality that makes it difficult to adapt quickly to new technology and the competition from a new breed of money managers.

"Banks have staked in their own juices," said Mel Blake, a top strategist at Bank of Boston Corp. "They are captives of their own history and that is the biggest obstacle they have to overcome."

Some banks have begun to adopt some of the techniques of their nonbank competitors. To stem the outflow of deposits, banks have begun offering a wider array of investment products, including their own lines of mutual funds. A few banks have begun to set up national networks to market consumer and business loans on a scale rivaling some of the more successful finance companies.

The unintended consequence of

But Lowell Bryan, an industry consultant with McKinsey & Co., said that banks were sailing against the prevailing winds. "Banks are fighting a 20-year trend that hasn't reached its end."

It all began with Fannie, Freddie and Ginnie. Hopping to bolster home ownership, the government created three huge organizations to raise funds for mortgages that banks and thrifts could not finance from their own pool of deposits: the Federal Home Loan Mortgage Corp., known as Freddie Mac, the Government National Mortgage Association, a federal agency known as Ginnie Mae, and the government-sponsored, privately owned Fannie Mae.

The purpose of this system was to allow banks and savings and loans to make more loans by recycling the same base of deposits. Fannie, Freddie and Ginnie would buy mortgage loans from banks, thrifts and other lenders and combine them into loan pools.

The pools are sold to investors in much the same way companies sell stock, with the monthly mortgage payments from thousands of homeowners passed on to the hundreds of investors in these "mortgage-backed securities."

The unintended consequence of

this system was to break up the near-monopoly that banks and thrifts had enjoyed as mortgage lenders. Because the system permits virtually anyone to make a mortgage loan and then sell it, it has spawned a new breed of lenders who show account for half the market, up from one-third five years ago.

Unlike a traditional bank, these specialized mortgage banks have no depositors: They get money to make new loans by pooling their old loans and selling them on the

secondary mortgage market. And rather than paying legions of loan officers, they rely on independent brokers and sophisticated computers to analyze the creditworthiness of a prospective borrower. They can often approve a loan in a matter of hours and arrange to sell it even before the final papers are signed.

Lower costs have given them the freedom to offer lower interest rates, winning them a giant share of the mortgage refinancing boom.

NEXT: Banks respond

Last Week's Markets

All figures are as of close of trading Friday

Table with columns: Stock Indexes, Money Rates, and various market data points.

INTERNATIONAL CLASSIFIED

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BEAUCHAMP REAL ESTATES

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FOR FURTHER DETAILS

REAL ESTATE TO RENT/SHARE

YOUR HOME IN PARIS

PARIS EUROPEAN HOME PLAZA

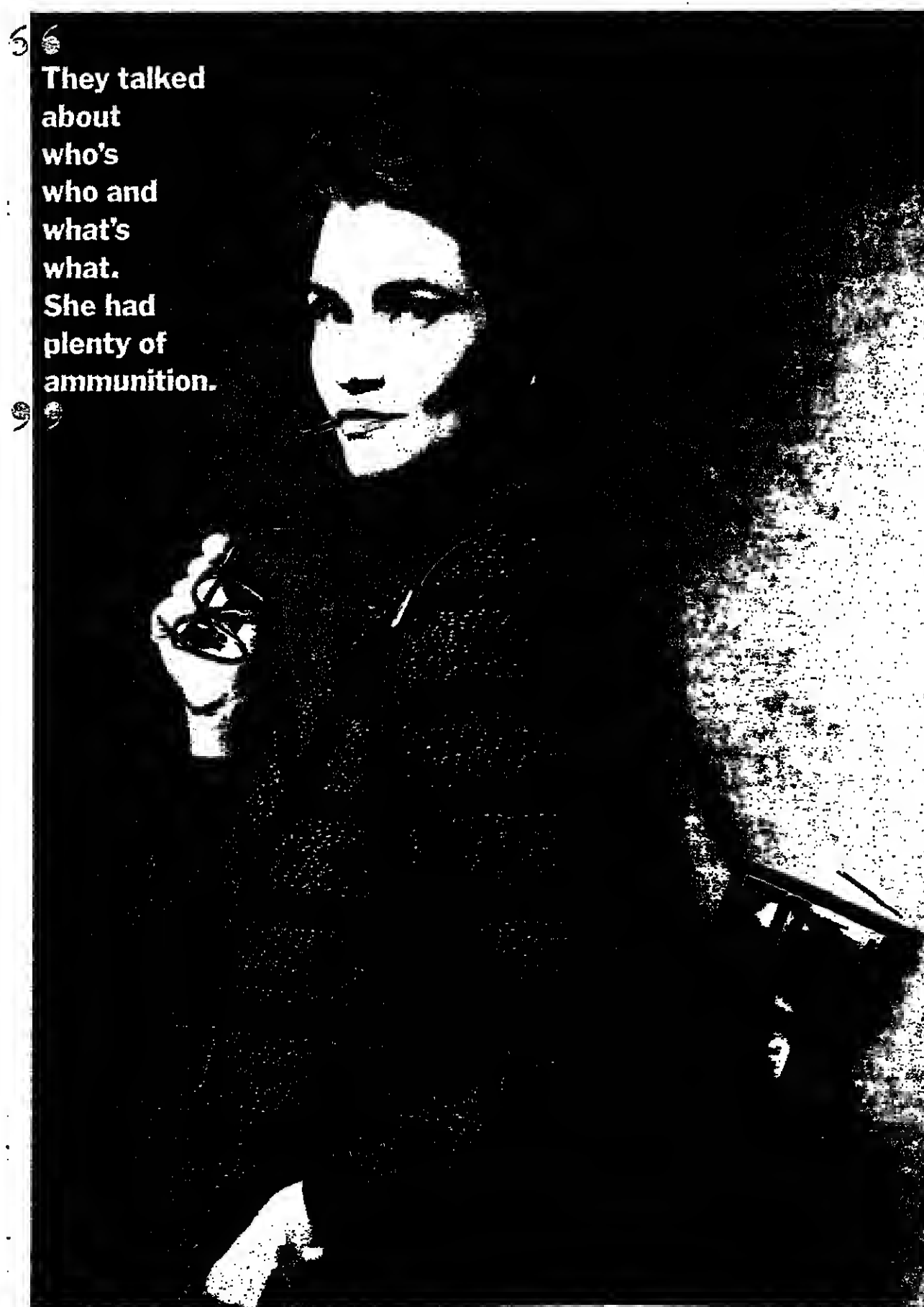
NEAR LATIN QUARTER

YOUR HOME IN PARIS

ALAIN'S FURNISHED APARTMENTS

PARIS EUROPEAN HOME PLAZA

NEAR LATIN QUARTER



They talked about who's who and what's what. She had plenty of ammunition.

TIME THE WORLD'S NEWSMAGAZINE

Vertical text on the right edge of the page, including 'FOR' and other partially visible words.







# MONDAY SPORTS GOLF

## Woosnam, a Winner, and Rocca on Team

**Complimented by Our Staff From Dispatches**  
**BIRMINGHAM, England** — Ian Woosnam won the English Open on Sunday, for his first victory this year on the European Tour, and secured his sixth successive Ryder Cup appearance while Constantino Rocca became the first Italian to make the team.  
 Woosnam shot a final round 6-under-par 66 for a 269 total that beat Rocca by two strokes. Rocca has shot a course-record 64 on Saturday to hold the lead after three rounds. Woosnam was one shot back.  
 Woosnam, who moved up from 10th to fourth place in the cup standings, said:

"Now I can miss the German Open next week. I've played eight of the last 10 weeks and I'm really tired."  
 Rocca posted a 69-271 to finish one stroke ahead of José María Canizares of Spain, who closed with a 69.  
 Two Irishmen tied for fourth, Ronan Rafferty shooting 68 and Darren Clarke 70 for 276.  
 The most crucial hole for Woosnam was probably the 6th where, after hitting his ball into the heavy rough on the right, he found it with only 30 seconds left of his search limit of five minutes.

He still bogeyed the hole, but had already made three birdie putts by then, sank three more at the 8th, 9th and 12th holes.  
 Phil Mickelson led going into Sunday's final round of the International at the Castle Pines Golf Club in Castle Rock, Colorado.  
 Mickelson, who started Saturday's rain-delayed round with 18 points, got another 11 to raise his overall total to 29 under the Stableford scoring system.  
 Phil Blackmar was in second place, three points behind Mickelson, after recording five points.

The third round of play was delayed by rain for 1 hour, 46 minutes.  
 Second-round leader Mark O'Meara scored one point and had 23 points for the tournament. Scott Simpson, who got eight, was tied with O'Meara.  
 The International is the only PGA event that uses the modified Stableford system. Players are awarded eight points for a double eagle, five for an eagle, two for a birdie and none for a par. They are docked 1 point for a bogey and 3 for a double bogey or worse.

## Tennis Star's Father Denies Abusing Her

**United Press International**  
**ST. PETERSBURG, Florida** — Jim Pierce, the father of tennis star Mary Pierce, has denied allegations made by his daughter in a magazine article that he physically abused her.  
 Mary Pierce was quoted as saying in the current issue of Sports Illustrated that Jim Pierce often struck her after losses or bad practice sessions, and drove her to the point where she was forced to hire bodyguards for protection.  
 Jim Pierce has often sided up at tournaments and fought with officials and parents of rivals.

Mary Pierce told the magazine that she feared for her life and was forced to file for restraining orders to protect herself.  
 "That's not true and Mary knows it," Jim Pierce told the St. Petersburg Times. "Why would she say things like that? I've grabbed her and shook her sometimes, but I've never hit her."  
 Pierce said he swung at his daughter once and hit her glasses but denied mistreating her.  
 Last month, Mary Pierce severed her relationship with her father, who was listed as her coach.

## SCOREBOARD

**Major League Standings**

| AMERICAN LEAGUE |     | Best Division |        |
|-----------------|-----|---------------|--------|
| Team            | W-L | Pct.          | GB     |
| New York        | 71  | .573          | —      |
| Toronto         | 71  | .573          | —      |
| Baltimore       | 66  | .527          | 4 1/2  |
| Seattle         | 66  | .527          | 4 1/2  |
| Detroit         | 64  | .512          | 7 1/2  |
| Cleveland       | 58  | .462          | 13 1/2 |
| Minnesota       | 47  | .375          | 24 1/2 |

| NATIONAL LEAGUE |     | Best Division |        |
|-----------------|-----|---------------|--------|
| Team            | W-L | Pct.          | GB     |
| Pittsburgh      | 75  | .593          | —      |
| Los Angeles     | 69  | .546          | 6 1/2  |
| San Francisco   | 65  | .510          | 10 1/2 |
| Chicago         | 58  | .462          | 17 1/2 |
| Philadelphia    | 52  | .408          | 23 1/2 |
| Atlanta         | 47  | .375          | 28 1/2 |
| St. Louis       | 46  | .365          | 29 1/2 |
| San Diego       | 45  | .359          | 30 1/2 |

## ATHLETICS

**4TH IAAF WORLD CHAMPIONSHIPS**  
 In Stuttgart

**WOMEN'S DECAHLON FINAL STANDINGS**

1. Yelena Isinbayeva, Russia, 2,825
2. Pauline Martin, France, 2,804
3. Svetlana Kravchenko, Russia, 2,785
4. Svetlana Kuznetsova, Russia, 2,775
5. Svetlana Radchenko, Russia, 2,765
6. Svetlana Kostin, Russia, 2,755
7. Svetlana Kuznetsova, Russia, 2,745
8. Svetlana Radchenko, Russia, 2,735
9. Svetlana Kostin, Russia, 2,725
10. Svetlana Kuznetsova, Russia, 2,715

## SOCCER

**DUTCH FIRST DIVISION**

FC Twente 1, FC Volendam 0  
 FC Utrecht 1, FC Den Haag 0  
 FC Groningen 1, FC Emmen 0  
 FC Eindhoven 1, FC Kerkrade 0  
 FC Oss 1, FC Kerkrade 0  
 FC Kerkrade 1, FC Kerkrade 0

## WOMEN'S SOCCER

**WOMEN'S SOCCER**

USA 1, Canada 0  
 USA 1, Canada 0  
 USA 1, Canada 0

## SIDELINES

### France, Sweden Tie in Cup Qualifier

**STOCKHOLM (AP)** — Martin Dahlin salvaged a point for Sweden in a European Group 6 World Cup soccer qualifying match Sunday against France by scoring the tying goal with two minutes to go.  
 The French team, which had beaten Sweden, 2-1, at home last April, took the lead in the 75th minute on Frank Sauze's powerful shot from close range.  
 The draw kept Sweden and France atop the group standings with 11 points each after seven matches, two points ahead of Bulgaria.

### NCAA Penalizes Washington Football

**MILLBRAE, California (UPI)** — The NCAA announced Sunday that the University of Washington's football team will be put on probation for two years, making the Huskies ineligible for the Pacific-10 title they have won the past three seasons.  
 The Huskies will be prohibited from competing in any postseason bowl games following both the 1993 and 1994 seasons. As conference champions, Washington has been to the Rose Bowl three years in a row.  
 The NCAA found that the Huskies violated several rules, including improper loans, free meals and money paid to student-athletes.

### For the Record

Leslie O'Neal, the defensive end who led the AFC with a career-high 17 sacks last year, signed a three-year contract with the San Diego Chargers. Sacks weren't announced, but O'Neal reportedly was seeking \$3 million a year.  
 Terry Allen, who rushed for 1,201 yards and 15 touchdowns for the Minnesota Vikings last season, is out for the year after undergoing reconstructive knee surgery.  
 Quarterback Jeff Geard ended his contract holdout and reported to the Indianapolis Colts, having accumulated \$144,000 in fines during the holdout.  
 Chana Porpanoi of Thailand fought off Filipino challenger Ronnie Magramo to retain his WBA strawweight title with a unanimous decision in Bangkok.  
 Julio Cesar Vasquez of Argentina defended his WBA super-welterweight title with a 12-round decision in Monaco over Aaron Davis of the United States.

### TENNIS

**VOLVO INTERNATIONAL TOURNAMENT**  
 In New Haven, Connecticut

Quarterfinals  
 Petr Korda (4), Czech Republic, def. Stefan Koubek (10), Czech Republic, 6-3, 6-2  
 Andre Agassi (10), U.S., def. Ivan Lendl (22), U.S., 6-4, 6-4  
 Byron Black, Zimbabwe, def. Mark Woodford (10), U.S., 6-3, 6-3  
 Andrei Medvedev (10), U.S., def. Jonas Sorenstam, Sweden, 7-6 (8-6), 7-6 (8-6)

## Friday's Line Scores

**AMERICAN LEAGUE**

New York 6, Boston 3  
 Toronto 4, Detroit 3  
 Cleveland 5, Chicago 3  
 Minnesota 4, Kansas City 3  
 Seattle 5, Oakland 3  
 Philadelphia 4, St. Louis 3  
 Baltimore 5, Tampa Bay 3  
 Detroit 4, New York 3

## Saturday's Line Scores

**AMERICAN LEAGUE**

New York 6, Boston 3  
 Toronto 4, Detroit 3  
 Cleveland 5, Chicago 3  
 Minnesota 4, Kansas City 3  
 Seattle 5, Oakland 3  
 Philadelphia 4, St. Louis 3  
 Baltimore 5, Tampa Bay 3  
 Detroit 4, New York 3

## Japanese Leagues

**Central League**

Yokohama 5, Chunichi 2  
 Chunichi 3, Hanshin 2  
 Hanshin 4, Yomiuri 2  
 Yomiuri 3, Lotte 2  
 Lotte 4, Seibu 3  
 Seibu 5, Nippon Ham 4  
 Nippon Ham 3, Hiroshima 2  
 Hiroshima 4, Toei 3  
 Toei 5, Daiichi 4

## CYCLING

**ZURICH CLASSIC**  
 Results Sunday in the 229-kilometer (142-mile) race between Zurich and Zurich:  
 1. Maurizio Fondriest, Italy, 4 hours, 23 minutes and 26 seconds  
 2. Charly Mottet, France, 4:27:30  
 3. Bruno Canevali, Italy, 4:31:45  
 4. Jens Braaten, Norway, 4:35:00  
 5. Santiago Hernandez, Spain, 4:38:15  
 6. Gert-Jan Theunissen, Netherlands, 4:41:30  
 7. Tomasz Skup, Poland, 4:44:45  
 8. Vladimir Karpov, Russia, 4:48:00  
 9. Vladimir Karpov, Russia, 4:51:15  
 10. Vladimir Karpov, Russia, 4:54:30

## WOMEN'S HIGH JUMP FINAL

1. Ingebrigdten, Norway, 1.91 metres  
 2. Svetlana Radchenko, Russia, 1.87  
 3. Svetlana Radchenko, Russia, 1.83  
 4. Svetlana Radchenko, Russia, 1.79  
 5. Svetlana Radchenko, Russia, 1.75  
 6. Svetlana Radchenko, Russia, 1.71  
 7. Svetlana Radchenko, Russia, 1.67  
 8. Svetlana Radchenko, Russia, 1.63  
 9. Svetlana Radchenko, Russia, 1.59  
 10. Svetlana Radchenko, Russia, 1.55

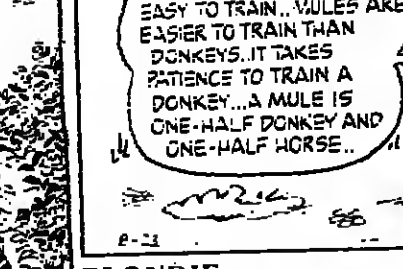
## WOMEN'S 100-METER FINAL

1. Svetlana Radchenko, Russia, 1:16.24  
 2. Svetlana Radchenko, Russia, 1:16.88  
 3. Svetlana Radchenko, Russia, 1:17.52  
 4. Svetlana Radchenko, Russia, 1:18.16  
 5. Svetlana Radchenko, Russia, 1:18.80  
 6. Svetlana Radchenko, Russia, 1:19.44  
 7. Svetlana Radchenko, Russia, 1:20.08  
 8. Svetlana Radchenko, Russia, 1:20.72  
 9. Svetlana Radchenko, Russia, 1:21.36  
 10. Svetlana Radchenko, Russia, 1:22.00

## DENNIS THE MENACE



## PEANUTS



## BLONDIE



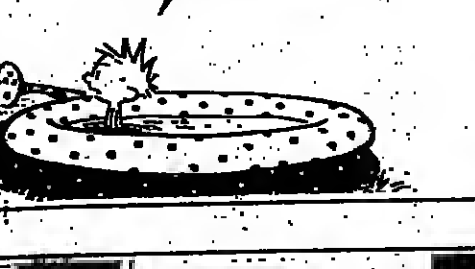
## BETLE BAILEY



## WIZARD OF ID



## REX MORGAN



## JUMBLE

BEAL  
 RADAW  
 FRASIA  
 CLINPE

## DOONESBURY

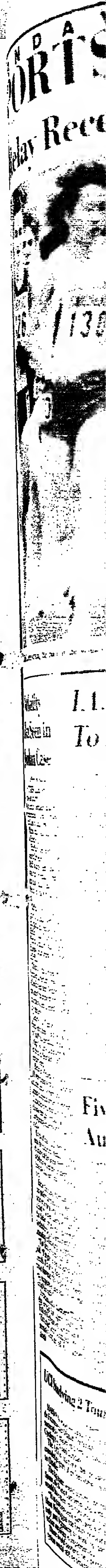


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# MONDAY SPORTS ATHLETICS

## A Relay Record for U.S., a Public Redemption for Reynolds



China's Liu Dong setting the pace in the women's 1,500 meters, which she won handsily on Sunday.

By Ian Thomsen  
*International Herald Tribune*

**STUTT GART** — What began eight days earlier with complaints about prize money ended Sunday with Michael Johnson running for everything but. He already was assured of the World Athletics Championship's standard \$30,000 Mercedes, but he has never looked smarter than in the settling warmth of this late afternoon, his team-mates beckoning from the other side of the clock, his long shadow lunging to stay ahead of him.

He completed the 4 x 400-meter relay in a world-record 2:45.29 for the U.S. team. Johnson's leg, of 42.94, was also the fastest ever, and he collapsed into the arms of Andrew Valmon and Quincy Watts, on two good shoes, Watts had broken free and clear, handing an irreversible lead to Butch Reynolds on the third leg. This was the Reynolds of his own making, from the imagination of his two years' exile. He was far out in front, alone, the crowd was boiling over in world record frenzy — that's how every child envisions it will be someday. And not a minute afterward, Johnson fell into his arms and the whole thing came true.

Later, with the world's athletes gathered on the field for the closing ceremony, Reynolds was presented his gold medal by Primo Nebiolo, Nebiolo is president of the International Amateur Athletic Federation, which has been warring with Reynolds ever since he was charged with having failed a drug test in 1990, and Nebiolo presented a medal to another athlete. When Reynolds leaned down he was grabbed and kissed by Nebiolo on both cheeks.

By the greatest of coincidences, a U.S. court has ruled that Nebiolo's federation owes Reynolds \$27 million.

"Primo actually gave me the medal," said the 29-year-old Reynolds.

owner of the 400-meter world record since 1988. "He told me on the stand, 'You've very strong, very strong.' Hopefully we can come to some kind of agreement. I think this is definitely a vindication for me. For him to slap me on my face three times and tell me I'm very strong, that really means a lot. I was speechless and very touched."

This final weekend of these fourth World Championships in Athletics salvaged whatever respect the Americans might have lost in the individual sprints. En masse they remain the world's fastest, as was proved Saturday when the team of Jon Drummond, Andre Cason, Dennis Mitchell and Leroy Burrell ran the 4 x 100 semifinal in 37.40 seconds, tying the U.S.-set world record established in Barcelona with Carl Lewis the anchor last summer.

The United States won 26 medals, 10 more than the runner-up Russians, and the Americans' 13 first places were nine more than those won by the runners-up in gold. Surprisingly, that nation was China, on the legs of Dong Liu's victory in the women's 1,500 meters Sunday. Russia, Britain and Kenya each won three golds, though the Kenyans believe, just as they did at the last Olympics, that they were robbed of victory in the men's 10,000 meters.

With six laps left in that race Sunday, leader Moses Tanui of Kenya could be seen offering the lead to Haile Gebreselassie of Ethiopia. "Haile kept stepping on my shoes," Tanui complained. "I asked him to go ahead and take the lead, but he always refused."

Richard Chelimo, who felt victimized by the Moroccan team tactics at the last Olympics, had fallen to a distant third (and there he would finish in 28:06.02) when Tanui began the bell lap, his arms flailing. Apparently the Ethiopian had given him what is known in the schoolyard as a "flat." Tanui's left shoe went sailing off like a hubcap as he sprinted madly into the penultimate turn.

Grimacing with each step on his bare left foot, Long John Silver was then passed by Gebreselassie, the winner in 27:46.02. Afterward, Tanui picked up his left shoe and shook it at the Ethiopian like a spiked club. An official Kenyan protest was rejected, just as was the one last summer.

"He stepped on my shoe again with one lap to go," Tanui said. "That's why I kicked the shoe off. He stepped on my shoe because that was the only way he could beat me. I'm really angry."

"I'm very sorry that Tanui lost his shoe, but he was slowing just in front of me and I was running faster," Gebreselassie said. "It was my tactics to follow the leader all the time. I always do that."

The United States won three relays Sunday, losing only the women's 4 x 100-meters in a photo-finish when Irina Privalova of Russia refused to give ground alongside Gail Devers. For the third time this week, women sprinters awaited their fate before the stadium's giant screen television as if it were a religious shrine. In this age it is, of course. It ruled that both teams had finished in 41.49 seconds, while the second-place Americans looked up warily, knowing there is no sense in arguing with the television.

Their male colleagues had hoped to shatter the world record Sunday. They were assured victory on the second leg by the 100-meter silver medalist Cason, but a series of bad handoffs limited them to a winning time of 37.49 seconds.

"We pressed too much," said the anchorman, Leroy Burrell. "We wanted to break the world record, and that cost us some concentration. Our handoffs were nowhere near as good as they were yesterday."

Nonetheless, starter Jon Drummond ran his victory lap as if Mahammad Ali had taken over his body, while his flag-waving team-

mates tried to recreate the pose from Iwo Jima. On the victory stand, the second-place Britons danced up and down, mocking the American behavior.

The U.S. team won the 4x400 women's relay in a championship-record 3:16.71 seconds, more than 1/6 seconds faster than the runner-up Russians. This race was decided by the time Gwyn Torrence had finished her opening lap.

The last Chinese victory came when Liu and her teammate, Yi Lu, surged past bronze medalist Hassiba Boulmerka of Algeria in the final lap. As someone with a flag tried to obstruct the hand signals of the Chinese coaches in the grandstands, Lu was quickly passed by silver medalist Sonia O'Sullivan of Ireland, whose time of 4:03.48 was no match for Liu's personal best of 4:00.50.

World-record holder Nourredine Mourouli of Algeria, having decided at the last moment to attend this meet after successful negotiations with the IAAF, won the 1,500 meters without stress in 3:34.24. The high jump was won easily by the world record holder, Javier Sotomayor of Cuba, with a leap of 2.40 meters (7 feet, 4.58 inches), and the women's javelin title went to Trine Hattestad of Norway with a throw of 69.18 meters.



Javier Sotomayor on his way to victory in the high jump, Cuba's third high jump medal after gold and silver in the women's event.

### Not Guilty Plea Seen in Jordan Case

*United Press International*

**FAYETTEVILLE, North Carolina** — The attorney for one of two North Carolina teenagers charged with the murder of James Jordan, the father of Chicago Bulls star Michael Jordan, has said his client will plead not guilty.

Hugh Rogers, who represents 18-year-old Larry Demery, told ESPN Radio on Saturday night that he was trying to corroborate a report that other individuals may have been involved in the July 23 slaying.

"Information exists that a group of individuals were seen milling around the vehicle of Mr. Jordan," he said. "I understood from that information that... perhaps it was a group larger than two individuals."

"In addition, I have received information that perhaps some individuals had been seen fleeing from the scene of the crime prior to the time that my client allegedly came upon the scene."

Demery and Daniel Andre Green were ordered held without bail last Monday pending a hearing on Sept. 3. A county judge appointed the public defender's office to represent Green.

Demery and Green, who also is 18, were charged with first-degree murder, armed robbery and conspiracy to commit armed robbery. If convicted on the murder charge, the two teenagers could face the death penalty under North Carolina law.

County officials said they would seek the maximum penalty. Authorities said they think they know which man pulled the trigger, but have not disclosed that information.

Earlier Saturday, Michael Jordan spoke to the media for the first time since the killing. Jordan declined to answer questions about his father, limiting his statements to the charity golf tournament he is attending in Leesburg, Virginia.

"I'm here enjoying myself," he said. "I'm glad to be around good friends. I'm doing fine. I've got to move forward. My wife has been very supportive. She hasn't let me out of her sight."

Jordan issued a statement Thursday through his agent, David E. Falk of Washington, saying he was "disturbed" and "outraged" by the media's handling of his father's death.

### IAAF Halves Krabbe Ban To 2 Years in Drug Case

*The Associated Press*

**STUTT GART** — The International Amateur Athletic Federation, cutting its original punishment in half, on Sunday banned German sprinter Katrin Krabbe for two years for bringing the sport into disrepute, track sources said.

The IAAF had said earlier in the day that its council had discussed several disputed drug cases, including Krabbe's, but that details would not be officially released until Monday. The IAAF's president, Primo Nebiolo, said that he didn't want to divert attention from the last day of competition at the world championships.

Krabbe, winner of the 100 and 200 at the 1991 championships, was suspended for four years after failing an out-of-competition drug test last year.

In contradiction of IAAF sanctions, the German federation DLV reduced the suspension to one year. The DLV said it had no provisions for out-of-competition testing in its own rules and that German courts don't accept a four-year ban.

In May, the IAAF Council said Krabbe would remain suspended until it decided whether the case needed to go to arbitration.

The German federation has been pushing the IAAF Council to make a final decision or take the case to arbitration.

The avoid arbitration, the council decided to suspend Krabbe for two years for bringing the sport into disrepute, but not on doping charges. No arbitration can be called in case an athlete is suspended on disrepute charges, said the sources, who spoke on the condition of anonymity.

The ban means Krabbe will not be able to compete at the 1995 World Championships in Göteborg, Sweden, just as she missed the worlds that ended Sunday in Stuttgart.

As of Sunday, three positive drug tests had been announced at the Stuttgart championships.

The latest involved Olympic discus champion Romas Ubaras of Lithuania, who finished fourth here. The IAAF said he tested positive for the anabolic steroid boldenone and laced a four-year ban.

Javelin thrower Dmitry Polyuin of Uzbekistan and 800-meter runner Lilia Nurutdinova of Russia also faced four-year suspensions after testing positive for the anabolic steroid stanozolol.

Three other doping cases were on the IAAF council's agenda.

John Ngunjiri, the five-time world cross-country champion from Kenya, was banned for four years after refusing to submit to an out-of-competition test earlier this year. The Kenyans are pressing for an arbitration hearing in the case.

Iris Biba, a German 10,000-meter runner, is contesting a drug ban on grounds of "exceptional circumstances," said Istvan Gyulati, the IAAF's general secretary.

So is Russian hurdler Lyudmila Narozhilenko, who claims that her estranged husband put steroids into her prescribed medication.

"Usually if a person outside your knowledge gives you something this is not regarded as exceptional circumstances," Gyulati said.

### Five Medals in Track Cycling Give Australians a Pretty Fair Advance

*Compiled by Our Staff From Dispatches*

**HAMAR, Norway** — Australia recorded its best medal haul in the 100-year history of the world cycling track championships, taking its tally after Sunday's final day to three golds and two silvers.

No other nation gained more than one title from the 11 championships, which were decided over six days on the 250-meter wooden track in the Olympia Hall.

Gary Neivand led the way with victories Friday in the sprint and Saturday in the keirin, the Japanese-inspired, motorcycle-aided event, to go with the gold won by his country's 4-kilometer team pursuit specialists.

But the Australians had to settle for silver on Sunday when Stephen Pate and Danny Day failed to hold Federico Paris and Roberto

Chiappa, who gave Italy its third tandem title in four years.

The bronze went to Arnost Dremnsek and Lubomir Hargas of the Czech Republic without a ride-off; Germany Emanuel Raasch and Markus Nagel were disqualified Saturday for deliberately causing a crash in their semifinal against Australia.

Etienne de Wilde, a 35-year-old Belgian who has twice won stages in the Tour de France, won the 50-kilometer points final Sunday.

He said: "I did not ride the Tour de France this year so I had reserves for this race. I had a lot of help from my team mate Gunter de Winne and a few friends who had no chance of winning."

De Wilde was one of six riders who lapped the field with 69 of the 160 laps to go. He finished nine points clear of silver medalist Eric

Magnin, of France, with the bronze going to Vasilii Iakovlev of Ukraine.

Jens Veggerby took the motor-paced championship by finishing second in the first leg and winning the second. It was Denmark's first world track title since 1987.

Roland Konigshofer of Austria was second and Carsten Podiesch of Germany third.

The Norwegian track has produced six world records inside five weeks, including one-hour and 4-kilometer pursuit marks by Graeme Obree of Scotland, but it is being dismantled on Monday.

The 56 kilometers of plankings that make up the track surface will be used for firewood. The Olympia Hall will stage the speed skating events at next year's Winter Olympics. (Reuters, UPI)

### Women Jumpers' Strong Debut

*The Associated Press*

**STUTT GART** — Ana Biryukova of Russia became the first woman to break 15 meters in the triple jump when she set a world record of 15.09 in win the gold medal at the championships on Saturday.

In other events Saturday, China's women dominated another distance race, the 10,000 meters, with a gold-silver finish; Kenya's men came in 1-2 in the 3,000-meter steeplechase; Cuba's women high jumpers gave their country its first medals of the championships, a gold and a silver; and Werner Günthor of Switzerland won the men's shot put.

The Russian triple jumper, Biryukova said beat the previous record holder, her teammate and training partner Yulsoda Chen. "It still hasn't sunk in. I'll need a few days to realize what happened," Biryukova said.

Chen had set the old mark of 14.97 on June 18, in Moscow.

"I was erratic in my approach. I am not happy with the silver but I am happy for the coach," Chen said.

Chen and Biryukova are both coached by Vladimir Plekhanov. Chen took the silver at 14.70, while Iva Prandzheva of Bulgaria, in her first year of triple jumping, clinched the bronze with a jump of 14.23. This was the first time the women's triple jump has been held at a major championship.

"The sew era began tonight when Ana went over 15 meters," Chen said. "This is where the event is heading to. Any long jumper capable of doing 6.70 meters should be able to do about 15 in the triple."

Meantime, 18-year-old Wang Junxia dominated opposition to win the 10,000 meter ahead of Zhong Huanli, China's second 1-2 finish in the women's distance events. The Chinese had swept all the medals in the 3,000 meters.

Selina Barosio of Kenya took the bronze in the 10,000, despite being warned for pushing during a chaotic opening to the race.

After finishing third, Barosio was first scrapped from the official results for showing favorite Elana Meyer of South Africa. But she was later reinstated and her initial disqualification was called an error, IAAF spokeswoman Jayne Pearce said.

Wang ran away from the pack with about 2.5 kilometers to go and finished 150 meters ahead of her compatriot in a time of 30 minutes, 49.30 seconds.

Zhong took the early lead in the race, taking Wang, Barosio and Techa Loupe of Kenya, who finished fourth, in her slipstream.

During some early shuffling, Barosio appeared to push Meyer, who later abandoned the race. "It wasn't the right decision to give up. But I've been pushed each round. It was terrible," Meyer said.

Barosio also complained. "There was a lot of pushing going on," she said. "The Chinese were pushing from both sides."

Calling Barosio's initial disqualification a "collective error," Pearce said that the warning had

initially been misinterpreted as a disqualification, causing officials to drop her from the result.

She said there had been no protest by any delegation to remove Barosio from the bronze medal position.

In the men's steeplechase, Moses Kiptanui won the gold medal ahead of fellow Kenyan Patrick Sang, a repeat of the finish at the 1991 championships in Tokyo.

Kiptanui posted a time of 8:06.36, the fastest time in the world this year. "I knew I was going to win," Kiptanui said. "I went to the front, I controlled the pace. I didn't want a slow pace because I knew that my teammates are fast in the last 200."

Sang, the Olympic silver medalist, took the silver again, in 8:07.53. "I came here not for silver but for gold, but I knew my friend would be very tough to beat," Sang said.

Alessandro Lambruschini of Italy captured the bronze in 8:08.78, a personal best, and prevented a Kenyan sweep.

Joanmet Quintero led the 1-2 Cuban finish in the women's high jump by clearing 1.99 meters, and then dedicated her victory to Cuban leader Fidel Castro.

Silvia Costa took the silver at 1.97. "It was a nice double for Fidel," Quintero said.

Sigrid Kirchman of Austria captured the bronze by also clearing 1.97, a national record and a personal best.

Asked what she will do with the Mercedes car given to all gold medalists at the World Championships,

the 21-year-old Cuban athlete said: "I haven't made the decision yet, but I'd like to keep it if possible; there are not too many Mercedes cars in Havana."

Günthor, the Swiss, captured his third consecutive shot put title with a winning throw of 21.97 meters. Günthor, who won his previous titles in 1987 and 1991, recorded his winning toss in the first round of the competition.

Randy Barnes of the United States, the world record-holder at 23.12 who's coming off a two-year suspension after testing positive for doping in 1990, finished second at 21.80.

The bronze medal went to Olympic champion Mike Stulow of the United States at 20.94.

Also Saturday, Jesus Angel Garcia held off a late charge by Finland's Valentin Kononen to win the 50 kilometer walk, clinching a double for Spain in the men's walking events.

Russian Valery Spitsya took the bronze.

Competing in sweltering heat, with temperatures reaching 27 degrees centigrade (81 Fahrenheit) and humidity at 60 percent, Garcia finished the race in 3 hours, 41 minutes and 41 seconds. It was the best time of the year. Kononen finished 21 seconds back.

Garcia said he would give his Mercedes prize to his father, a taxi driver in Madrid.

The defending champion, Alexander Potasov of Belarus, was disqualified for running during the race.

**UCI Studying 2 Tours for Cyclists**

*Reuters*

**HAMAR, Norway** — Leading cyclists such as the three-time Tour de France winner Miguel Indurain could be separated from their less successful colleagues in a new circuit of elite races, the International Cycling Union said Sunday.

The UCI is studying the possibility of splitting the current crowded program of professional racing which runs from February to October.

The big teams would contest the major tours of France, Italy and Spain, the World Cup series and some other races, while other teams would have their own "second division."

"It is quite revolutionary, and will have major consequences," said Hein Verbruggen, the Dutch president of the UCI. "However we are only just beginning to work on the plan. It could be 1995 or '96 before anything is implemented."

There would probably be a points system, but the current ranking system would still be separate," Verbruggen said.

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